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BUSINESS WEEK

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JUST BEFORE THE BATTLE—Secretary Wallace, Senator Copeland, and Professor Tugwell mend their defenses as the controversial new Food and Drug Bill goes into the hearings.

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This Business Week

MAIL-ORDER sales by the two principal houses show sensational gains over a year ago—$10 millions increase for a 4-week period, or about 25%. But this is only one item in a neat crop of cheerful news notes of the past week. Favorable dividend changes—that is, dividends resumed or increased—were more numerous than they had been for 2 years. Department store sales for November were a little better than last year's. Chain store sales were up by 13%. Construction contract awards were 54% larger than a year ago—a whale of an increase.

AND Dr. Benjamin Anderson is ready to concede a 35% devaluation of the dollar. The war must be over.

FOR the first time in the history of the Ford company, it invited editors from all parts of the country to Detroit to see its new models, inspect the River Rouge plant, meet Henry and Edsel Ford at luncheon. The affair was beautifully managed. The Fords chatted with pretty nearly every guest at one time or another. Nice party, of its kind. Beginning of a new Ford policy, it was forecast. Then—

A newspaper in Detroit played up sensationally the statement that beer was served. Morning newspapers everywhere picked up the item next day. The punch being, of course, Mr. Ford's notorious and violent objection to alcohol in any form. He is said to be furious. With considerable justification, for on the word of a guest who was very, very thirsty, the yarn was utterly untrue.

A SKIT at Mrs. Roosevelt's "Gridiron Widows" party suggested Bernard M. Baruch might yet go Republican. The intimation is highly premature. True, he has long debates with the President in the White House, particularly on monetary policy. They differ. But they both enjoy the set-tos and Baruch glows with admiration when he talks of Roosevelt's "gameness" in debate.

IT is, no doubt, utterly illogical. But observers in every large city where liquor again is legal are unanimous in agreeing that it has given a kick to all business, and created a brisker atmosphere. Perhaps that is just due to novelty, and soon will wear off. But while it lasts, it certainly is tangible.

WALL STREET took due cognizance of the news that the federal government has been looking over the communications problem. The intimation seems fairly strong that the Administration leans toward monopolies in that field, with strict governmental control. And with a memory of 5-year battles to no decision over rates when he was Governor of New York, the President, so the guesses run, has some definite ideas of what regulation ought to be.

MUSKRAT trapping is a business, and a fairly important one, in Louisiana. NRA has seldom seen a livelier little fight than the one raging between the owners of muskrat land and the trappers, over a trappers' code. The ladies would have been shocked at some of the incidental testimony. The average labor cost on a muskrat fur coat, it appeared, is $10. Very good ones sell wholesale for $22.50. Retail mark-up often is 150%. The price of skins dropped from 80¢ in September to 65¢ in November—this for selected tops, which are the best 20% of the skins. Louisiana muskrat is best; doesn't have to be dyed.

LEA FABRICS, INC., of which General Johnson is the head, was the first employer accused of violating Blue Eagle agreement—was immediately cleared. *Business Week* mentioned the incident, took occasion to describe the company and its unique product, the carpeting on the floors of many of the automobiles in America. Sequel—a letter from a gentleman in Hongkong who would like to become South China distributor.

UNCLE SAM saves $5,000 and prevents all effective use of a $1 million expenditure. This is the effect of a decision reached in the Department of Commerce not to publish the 1931 Census of Manufactures reports. They have been ready for some months.

Industrial executives desiring to see the results, which they commonly buy at 5¢ a pamphlet, may send a man to Washington by train, or hire a Washington consultant.

UNDER the retail code, demonstrators for manufacturers may not be disguised as retail clerks. Many cosmetic counters, especially, are manned almost entirely by comely young things, each plugging her own line. Now, some stores are pinning badges on the girls to show up their merchandising enthusiasms.

THE sudden multiplication of public dinners and luncheons is another cheery sign. Eating to promote causes and products almost died out, but now there are a half dozen invitations a day. No, we don't go to many.

The Business Outlook

Business men are getting more encouragement than they did two or three weeks ago. It isn't a mere matter of statistics, although the figures are touched up with bright spots here and there. . . . Repeal seems actually to have had a tonic effect. . . . Abatement of the hysterical excitement over monetary policies is both a symptom and a cause of better confidence. When the sternest of conservatives are found, one by one, to concede devaluation, the plain citizen wonders what all the earlier shooting was about. . . . Steel operations have picked up, a spurt to complete fourth quarter contracts. . . . Automobile makers look for a good year. Just now they are being slowed up by the usual new-model difficulties of training personnel and delayed dies. Here Ford has an advantage which he is pressing. . . . Chain and mail order houses are going strong. Department stores not so well. . . . Power production perks up. Domestic consumption is a little disappointing, considering the rapid expansion of appliance sales. . . . Textile, clothing, and various other manufacturing lines are running into the usual year-end slow-up. . . . Construction contract awards reflect governmental assistance. . . . The Treasury's Dec. 15 offering was three times oversubscribed. The Administration hails this proudly as a triumph, but a few hard-headed observers point to the rate of interest.

BUSINESS WEEK

DECEMBER 16, 1933

$14 Billion Log Jam

Construction deficit piles up potential business four times as big as the public works program; government credit seems the inevitable solution.

PLENTY of perturbation was precipitated by a leak of $14,104 millions in Washington last week. But it wasn't money gone. It was information out. It was an estimate on the amount of construction that can be considered potential for employment and capital goods production during 1934 and 1935. However, the head men were afraid that it would be misunderstood as an Administration program to spend $14 billions more or that the Republicans or somebody would grab the figure with a glad cry and start making it smoke and smell. It must be admitted, however, that it is about the tidiest bit of calculating the New Deal planners have so far turned out.

About 4 months ago Dr. Alexander Sachs, chief economist of NRA, assigned to a research group, headed by Roy Wenzlick of St. Louis, the study of the construction and real property situations. He wanted a coordinated picture of the probable need for both public and private capital for construction in the next 2 years. It was prompted by the growing recognition that something must be done about the 75% decline in employment in the capital goods industries and the stagnation of construction that has piled up a deficit in public and private facilities and represents an actual shortage in many directions. This, despite the fact that a short-time view might prompt the conclusion that additional public works and private structures are not now needed.

Two Studies Made

Two 50-page studies were completed not long ago—one a "program for the stimulation of the construction industries to promote employment," and the other "a Real Property Inventory." The latter was a careful estimate of present structures in the U. S. A., that should be and can be replaced, and how they are distributed, based on a Cleveland survey and the New York situation. It is proposed to extend this Real Property Inventory to cover 100 cities at a cost of $3 millions and CWA money is to be set aside to finance it. The present report was prepared for Cabinet officers and other brass hats in Washington. But it slipped out and presented this list of important totals:

Required Construction 1934-1935

Housing	$4,533,000,000
Water & Sewage	1,650,000,000
Educational Facilities	685,000,000
Recreational Facilities	450,000,000
Public Buildings	136,000,000
Express Highways	1,000,000,000
Grade Crossing Elimination	2,400,000,000
Railways & Terminals	2,000,000,000
Industrial & Commercial Construction	600,000,000
Industrial & Commercial Modernization	650,000,000
Total	$14,104,000,000

It all breaks down into 4 groupings—housing, public works, highway and transportation, and industry—and provides a new perspective on this vast field.

Home Building Market

There is a normal need for about 800,000 homes per year in this country, the report says, and more than 2 million homes will be needed by the end of 1935 if we make up the deficit in buildings and replace 1½ million homes now below living standards. This includes all dwellings—houses or apartments. The figures embrace an increase of 595,000 urban families, during the past 4 years, the prospective return of the 250,000 families that moved to the country during the depression and the replacement of 100,000 dwellings destroyed by fire. They take into consideration existing vacancies, oversupply and obsolescence. It will require a total investment of $4,533 millions.

Expansion and improvement requirements for water supply and sewage, refuse disposal, hospitals, and other health and sanitation facilities call for a total expenditure of $1,650 millions. The deficit in public buildings is reflected in a drop from expenditures of $161 millions in 1929 and $181 millions in 1931 to about $50 millions for 1933, and the requirements to the end of 1935 were estimated at $136 millions. Parks, beaches, stadiums, and recreational facilities, now considered more necessary because of the increased leisure of the individual under the recovery program, are expected to pile up an accumulated need for about $450 millions. Schools and educational facilities are down for $685 millions.

Present needs in the highway field appear to center on express highways between major cities where traffic is already beyond the reasonable capacity of existing facilities. The report lists need for $1,800 millions to be spent during 1934 and 1935, in addition to normal highway developments, but cuts the figure conservatively to $1,000 millions. Grade-crossing elimination and related improvements are found to bulk $2,400 millions. Delayed railway roadbed and terminal improvements, necessary to maintain the railroads in competition with highway facilities, call for an expenditure of $2,000 millions.

Fewer Factory Jobs

Requirements for factories and commercial building construction are less certain, because of recent overbuilding and shifts in manufacturing locations due to decentralization. So the 2-year need is set at $600 millions. Necessary expenditures for modernization of commercial and industrial equipment and facilities are estimated at $650 millions.

Estimates are that for every cubic yard of new structures built 2 yards would have to be demolished before federal or ultimately private capital would be available for new construction. It is believed that $3 billions of federal money would be enough to start the work rolling and stimulate private investment.

Much of this program could be put in motion within 60 days, the report says, if an adequate system of financing and administration could be provided—which is a considerable if. Operations would accelerate so that during the second year expenditures could reach a sustained monthly outgo of $690 millions and give employment to at least 4½ million workers. In the past nearly half of the financing of construction has come from the banks, the rest from mortgage and insurance companies and private investors. Because under present conditions no large part of such a colossal sum could be expected from these sources, government financing and administration would be necessary.

Government Possibilities

The RFC, the PWA, and CWA could provide for only the early stages of the work. But it appears that the Home Loan Bank System might furnish construction funds to some extent. A Real

Property Administration might, perhaps, be set up to pool all these operations under a broader program of government loans to districts, in which the various types of projects might be coordinated.

This huge prospect has been worked out from the basis of the very major part which construction has played in the economic life of the country. From $10,000 millions a year, these activities have fallen to, say, $2,500 millions and dragged down the diversified capital goods industries which provide the materials and equipment that construction requires. So the report faces the problem of how the government credit could be used for such socially profitable investments and dives in, holding that the majority of these facilities are actually self-liquidating. It was drawn up not as a recommendation but as a study of the possibilities for revival through construction and capital goods.

To those who believe that a lot of our accumulated troubles have come from the uncoordinated use of capital, the idea of such a comprehensive survey is bound to be appealing. For if this is the burden which public and private financing will have to shoulder during recovery, it might as well be understood and reckoned in the planning.

Currency Debate Cools Down

A.B.A. head's praise of President's "middle course" sets tone for rapprochement on government money policy. International discussion has been left to central bankers.

Most of the hysteria disappeared from the currency debate this week. Concessions were made by both sides and common sense characterized discussions which still hold the spotlight of public interest. The President rides safely and silently between fiat money crowd and so-called sound dollar advocates.

The most reassuring contribution to the discussion was that of Frank M. Law, president of the American Bankers Association, in a New York address. Mr. Law called upon the nation to follow the leadership of the President, applauded the middle course he is steering and found nothing irreconcilable in the points of view of most commentators, except the fiat money inflationists. He intimated something more than a guess to support his prediction that the President never will consent to the issuance of unsecured currency.

It seemed significant also that Jesse H. Jones, chairman of Reconstruction Finance Corp., in an address before the highly conservative Illinois Manufacturers Association, said that no one wants a sound dollar more than Franklin D. Roosevelt. This is not very specific but it may be significant in view of the fact that Mr. Jones seems to have been especially commissioned by the President in recent days to set the country right on his currency program without giving Mr. Jones much latitude as to specific assurances he might offer.

The government's gold market operations have done much to give "sound money" men confidence temporarily at least. For nearly a fortnight the Treasury left the announced price of gold at $34.01 an ounce. It had been assumed that the price would be held stable until after government financing was out of the way. Many feared that, with the Treasury in funds again, the gold price might be advanced rapidly in the hope of reaching a level satisfactory to the President before Congress meets.

When the price was permitted to remain stable for several days after the financing had been completed, the world put many different interpretations on the event but all of them pointed to conservative conclusions. Opinion was general that we may now be close to the point at which Mr. Roosevelt hopes to stabilize and that, in any event, that point may be closer to a 60-cent than a 50-cent dollar.

From Oct. 25 to Dec. 13 the price of gold was advanced from $31.36 to $34.01 and the dollar was deflated from 65.91¢ to 60.76¢. It is reasoned that if the dollar was devalued but little more than 5¢ in that time, the Administration can scarcely expect to reduce it twice as much before Congress gets into action.

European authorities fear that we may have chosen the current level as approximately the point at which to stabilize the dollar with the intention of maintaining something like present relations toward the franc and the pound. The British, who until recently insisted upon a pound at about $4.30, are now willing to think about one at about $4.50, but the possibility of a pound quoted above $5 is deeply disturbing to Sir Walter Layton and other British economists.

The Treasury directly denied that negotiations had been undertaken with London and Paris looking to a mutual stabilization point. But the subject has been discussed by central bankers and these communications can be used as a basis of approach when official discussion of the international relationship of currency levels is undertaken.

Applying Brakes

Government spending will reach peak in March; Roosevelt hopes to taper off thenceforward.

Washington—Administration plans for relief, public works, RFC, and other extraordinary activities call for Congressional appropriations at the next session which will increase the public debt by $6 billions. The Administration feels, and finds considerable outside support for its opinion, that a $6-billion addition would still leave the total debt well under the danger point.

But there are two important questions to be considered. The first is whether Congress can be restrained from appropriating more than the Administration asks. The second is whether the Administration will be able to taper off its spendings for emergency purposes as fast as it hopes to do so.

Ready for the Tussle

Congress is all set to boost normal appropriations as well as the extraordinary items. Lewis W. Douglas, Director of the Budget, is all set to stop it. And the President is all set to begin curtailing extraordinary expenditures toward the end of March.

He believes relief payments can be tapered off, starting in the South, and following the sun as it brings warm weather northward. He hopes reviving business will be absorbing more men by spring, and feels that needs never are so acute when cold weather passes.

Also, when and as business provides jobs, the Administration contemplates tapering off public works payrolls. That is the program. The obstacles are the old pork-barrel spirit, hard to kill in Congress, and the historic evidence that it always is hard for a government to stop giving free bread, once it starts.

Many governments have learned that, from the later Caesars to the successive Prime Ministers to George V.

Now, Take Eggs—

There are curious complications. Take eggs. An enormous surplus of eggs recently piled up in storage. The farm relief people were desperate—eggs were not included by Congress in the list of "basic commodities" on which a tax could be laid to pay for destroying surpluses. So the relief administration announced this week it would purchase a half million cases. It already had bought pork, butter, other foods. Now when relief expenditure begins to taper off, this method of helping out the farm relief program dries up. Which creates double pressure for a continuance of relief.

But the Administration definitely looks forward to reaching the high point of governmental spending some time in March, and then contemplates a steady reduction.

Wide World

NAM MEETS NRA—Members of the National Association of Manufacturers gathered for one of their liveliest annual meetings, heard General Johnson make one of the best speeches of his career, debated the monetary question, adopted resolutions less critical of the Administration than had been forecast. Left, the General; right, President Lund of the NAM.

Better Banks

By Jan. 1, the banking system will be fundamentally stronger than ever before in our history.

THE work of making the banks of this country safe and sound before the temporary deposit insurance system goes into effect Jan. 1 has made accelerating progress in recent days. By the turn of the year the banking structure of the country probably will be more sound basically than ever before. Banking will not be profitable and bankers will not be carefree but banks are liquid, thousands of the weaker institutions have been eliminated, the country is no longer seriously over-banked, banking profits will be more widely distributed than ever before with the return of normal business, and the indiscriminate issuance of bank charters has been discouraged.

State Banks Line Up

This week's report of the Federal Deposit Insurance Corp. showed that 6,748 state banks had applied for membership in the temporary insurance fund which guarantees deposits up to $2,500. A force of 1,641 state examiners have passed upon 5,180 of these banks and all examinations will be completed by Dec. 15.

The government has gone far to meet the demand that banks admitted to membership in the Insurance Corporation be sound from the beginning. Many applications have been rejected. Government funds have been invested in more than 1,500 banks by the purchase of preferred stock or capital notes —$400 millions have been used thus far to strengthen the capital structure of banks before they are admitted to the system. This part of the work was slow in starting. Much more government money will go into bank capital before the turn of the year, although the total probably will be far short of the $1 billion the RFC hoped to induce bankers to accept.

The recent willingness of bankers to accept the government into partnership has not been entirely owing to the leadership of some of the larger banks which have no need of help. Since the plan was first announced, RFC has materially modified the terms under which it purchases preferred stock.

The first regulation issued gave the government partner the right to remove and replace officers, directors, and employees, and to fix their salaries without specific limitation. The present rule gives the government this right only when dividends on the preferred stock have been passed for a year, when sinking fund payments have not been made, or when liabilities exceed assets. Other concessions have been made to encourage the partnership arrangement. The Comptroller of the Currency still must approve the retirement of stock, but this is interpreted to mean that preferred stock can be retired at any time unless such an adjustment would impair the capital structure of the bank.

A Good Selling Point

Jesse H. Jones, chairman of RFC, announced that no bank in which the government is a partner will be allowed to fail under any circumstance. This amounts to 100% guarantee of the deposits of such a bank, and may have had influence in encouraging bankers to sell stock to Mr. Jones. There may be some competitive advantage to such an appeal to potential depositors.

Approximately 70% of the frozen assets of closed banks are in Detroit, where a new liquidation plan was devised this week. A depositors' committee of the Guardian National Bank of Commerce has developed a scheme to pay 100% to depositors having a balance of $1,000 or less when the banks closed in February. The plan calls for a loan of $5 millions from RFC. This would provide enough money to pay 5% to every depositor, but nearly 100 large depositors have agreed to waive their claims which would leave sufficient balance for complete payment to 1,004 small depositors. The remaining assets would be liquidated by the receiver or a locally formed mortgage company. The plan needs the approval of the Comptroller and a few more large depositors.

This arrangement has a deeper significance than merely putting $5 millions of new money in trade channels in Detroit. It has been adopted primarily for its effect on public confidence, the Detroit situation having been the most disturbing of the many bank difficulties of the country. For the first time business and civic leaders in Detroit and the Administration are working in accord and with mutual confidence.

Toward Unified Banking

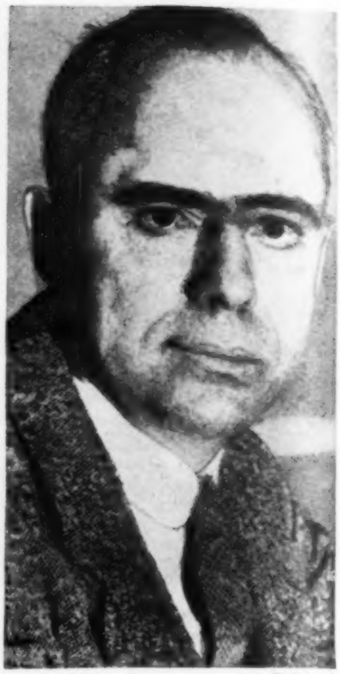
Bank leaders and banking organizations have taken little part in demonstrations of antagonism toward the government program. They are asking only the most urgently needed amendments to last session's legislation affecting banking and finance. They are putting their dependence on a long-time program of strengthening our whole credit structure. To this end some progress has been made recently in the promotion of the idea that eventually we shall have a unified banking system. Banking associations, numerically dominated by small banks, continue to avoid the issue, but Winthrop Aldrich has assumed leadership of the movement in the banking field and Senator Carter Glass is its champion in politics.

All banking is proceeding rapidly toward organization under codes. The

American Bankers Association, representing largely the commercial banks of the country, has 332 bankers' committees preparing drafts of rules of fair trade practice for their localities. More than 600 clearing-house associations are beginning the new type of cooperation and local control that eventually will be undertaken by such associations in every part of the country. A committee conspicuous for its liberal and progressive attitude is drafting a similar set of rules for the investment banking business. It is expected to be even more drastic than the Securities Act in most of its aspects having any bearing upon the protection of the public in the investment of its funds.

What Do You Mean, "Control"?

Peek meant cleaning up competition (with a fair deal for labor); AAA's left wing would have policed the profit system: now it depends, so far as codes are concerned, on what General Johnson means.



Wide World

CHESTER C. DAVIS—He succeeds George N. Peek as head of the AAA; he was formerly director of production for the same organization.

NRA took on some 300 new codes in its stride this week, when the agricultural industries codes (beyond "first processing") were shipped over from AAA as a result of President Roosevelt's dramatic announcement a week ago Wednesday (*BW—Dec9'33*). There will be a vast amount of compression of these codes into one another, but the first move was to dust off the principles developed in more or less related NRA codes, like wholesale and retail trade, "other than retailers of milk, tobacco, foods, and foodstuffs," and to incorporate them in pending AAA codes in place of the much more drastic provisions set up under AAA. Division Administrator A. D. Whiteside has taken general charge of the agricultural codes.

The dividing of "first processing" codes, which stay at AAA, from those which go to NRA may take some time and negotiation before it is finally settled, but wheat milling, meat packing, vegetable canning, are apparently going to remain temporarily at AAA, along with the marketing agreements (known only at AAA) such as those for milk. Interestingly enough, fish ceases to be an "agricultural product," so far as codes are concerned, although the Department of Agriculture will continue its care of fish food quality.

Both Sides Set Back

The sizzling effect of the President's decision to turn these codes back to NRA, from which he took them by executive order on June 21, still has Washington somewhat uncomfortable. George N. Peek, the capable, genial administrator of AAA, accepted the job of advisor to the President on foreign trade, supporting the theories of those who have held that there was a conflict of personalities and authority in AAA. On the other hand, the "liberal" crowd, headed by Asssistant Secretary of Agriculture Rexford B. Tugwell, and Jerome N. Frank, counsel for AAA, have certainly taken a setback, for the transfer of the food industry codes to NRA was not to their liking and is considered in their group as a distinct disavowal of their views as to how codes ought to be handled. Dr. Tugwell has stated his position freely in print, holding that codes should be prepared in the best form possible by the government and then submitted to the industries concerned, while General Johnson at NRA has held that the industry should draw them up and then government should take a hand in revision.

Three "Fighting" Provisions

The AAA model code, issued in printed form on Oct. 24, contains 3 general provisions on which AAA and the food industries have clashed, one requiring access to the books of industries at all times, one vesting removal power over code committees in the Secretary of Agriculture, the third including a number of the provisions of the pending new Copeland Food and Drugs Bill and agreement to abide by its future provisions. Food industry opposition to these has been loud and long. It was definitely the opposition of certain of these groups that precipitated the change; the issue went up to the President himself. The manufacturers' half of the "master food code" (it was split, for administrative purposes, in the course of negotiations over its form) was to have been presented to that industry on Thursday of last week, with adequate explanation as to why the provisions opposed in the model code had to be included. Instead, at 6 p.m. Wednesday, came the word that the AAA codes (including this one) were to move over to NRA.

The issue is clear-cut, quite aside from the obvious personal elements involved. Administrator Peek, for instance, himself drew up the now historic model code of AAA. The actual work was done by his personal attorney, whom he brought in because for some time he and Jerome N. Frank, the official counsel of AAA, have not been in agreement. In other words, he was playing ball, doing what seemed to fit in with the ideas of his boss, the Secretary of Agriculture. While there were personal conflicts, as all Washington has known for weeks, the final break was not on such grounds, so far as code texts were concerned. There was, however, a sharp personal break in objectives, so that there is little reason to doubt the entire truth of the assertion of General Johnson a week ago Thursday, that the AAA codes had been moved over the NRA because Secretary Wallace voluntarily relinquished them and asked General Johnson to take them over on the ground that "two branches of the government should not be interpreting the same law in different ways."

Fundamental Issue

It all comes down to a conflict between those who believe that the work under NIRA should be confined to cleaning up competitive troubles and insuring a fair deal for labor and those who wanted to change the industrial picture against the anticipated change to a lower profit motive and a more socialized conception of business under the recovery laws. The shift of the food industry codes to NRA is held, by the former group, to be significant of a victory for their conception, which they feel is upheld by General Johnson. On the other hand, the "liberals" who believe (and had gone far at AAA toward putting the idea into codes) that the trend of the times indicates the wisdom of industry in accepting a fairly large

dose of socialized control, feel that while the "righters," as they call the conservatives, have won an apparent victory, industry is not the gainer, for the tides of business promise, they say, to demand the policing, from without rather than from within, that their plans offered.

Food Codes

Competitive house-cleaning is expected to follow action on food codes, long tangled up in AAA.

ONE of the most important results of the shift of AAA codes to NRA was the untangling of the food industries from the intra-Administration battle in which their 3 codes have been snarled up since last July and their swift dispatch to the President in form satisfactory to the industries involved.

The code for the grocery manufacturing industry, sponsored by the Associated Grocery Manufacturers of America, no longer contains the Wallace-made provisions establishing the government's right to inspect company books, and placing code authority and committee control under the government. The code authority will have right of access to books only if a bona fide complaint has been filed against a member of the industry, and then only to such extent as may be necessary to prove or disprove the charges. It will be representative of all branches of the industry, and its governmental members will have no vote. The Food and Grocery Industry Conference Committee, also to be appointed under the code, will be composed entirely of industry members. No reference is made to the Copeland (food and drugs) Bill but the code provides that each manufacturer shall comply with "all the label and standard requirements prescribed by or under" the Federal Food and Drugs Act.

See Light Ahead

Manufacturers believe that the fair practice provisions of the code will improve conditions, cut down price fluctuation, and establish more equitable prices for all types of buyers, right down to the consumer. They point out that the open price plan, universally applied in the industry, will end much chiseling and jockeying for better prices by large cash buyers. They welcome particularly the clearly defined rulings on price concessions, price discrimination, quantity prices and various methods of price-cutting.

The wholesalers were no less jubilant over the speedy action obtained since the shift to NRA jurisdiction. The National-American Wholesale Grocers Association, which sponsored their code, has no false illusions, calls it a realistic document of careful balance between "unenforceable severity and unendurable laxity" in business behavior. Leaders are particularly hopeful of the effect of the loss limitation provisions and the section on differentials, both the subject of much controversy, both scrapped and revived on numerous occasions, both present in the final code. The original master code for the food industry specified that wholesalers should take a minimum mark-up of 2½%. In its final form the code prohibits selling at less than cost, defines cost to include the net purchase price plus transportation to seller's warehouse and from wholesaler to his customer plus an allowance for wages involved in making the sale and delivery, to be fixed from time to time by the code authority. Compliance with this provision is expected to eliminate much of the destructive type of competition that has made it difficult for many legitimately established service wholesalers to compete, particularly where fast moving, constantly bought lines were concerned.

A similarly wholesome effect is expected from the provision on differentials under which the code authority will define and establish price differentials, based on the nature and extent of the distributing service and functions rendered by each buying class.

The code for the retail grocers also came through the mill with some of the most important fair practice provisions reinstated. While the minimum mark-up clause as originally drafted was taken out to protect the interests of the consumer, a clause similar to that contained in the Retail Code was injected. Hereafter retail grocers, independent and chain alike, will have to sell at a price that at least includes cost plus a still-to-be-determined percentage to cover the cost of store labor.

Hearings, Compliance

While NRA pushes on with a heavy list of hearings, the Compliance Board fills the gaps in its program.

PREPARING for the big job of compliance under codes (as distinguished from enforcement, which is under the Federal Trade Commission and the Attorney-General), NRA has taken new offices outside the Commerce Building in the Investment Building at 15th and K Streets, Washington. There, beginning Monday, the work will be organized elaborately under W. H. Davis, the New York lawyer recently named National Compliance Director. The President has authorized the naming of 48 state compliance directors in place of the 26 chiefs of the domestic offices of the Bureau of Foreign and Domestic Commerce who have been serving as regional directors.

The present plan is carefully stated to be supplementary to the work of the code authorities, which, when finally and formally set up and properly certified by Administrator Hugh S. Johnson, will do all the work of code compliance with trade practice provisions, unless, owing to cost or scattered membership in the industry, the code authorities ask the National Compliance Board to handle the job. The old Blue Eagle Division and its compliance sections have been absorbed into the new unit, and the PWA agreements will be enforced through the National Compliance Board. The officers of PWA are now placed in the general plan and new officials have been named.

Newest of these is Dr. Wilson Compton, recently resident industrial adviser, best known as director of the National Lumber Manufacturers Association, and one of the best known association men in the United States. He takes over the duties of Chief of the Trade Association Division, recently held by Gen. Thomas S. Hammond, former president of the Illinois Manufacturers Association. He is the answer made by General Johnson to the demands that trade associations be given their rightful place in the NRA picture.

Short on Price Complaints

The so-called "profiteering" hearing on the price increases that NRA does *not* approve of, originally set for Tuesday, was postponed by administrative order until Jan. 9, owing to lack of authenticated complaints.

The motion picture code was revised this week to limit the power of the Administrator to remove and to name members of the code authority to a mere right to name new members on the recommendation of the voting members of the authority.

The fisheries code, listed originally as a joint hearing by AAA and NRA, was put through its paces in that form this week, but with the official under-

standing that it was to be brought fully under NRA, and that the heavy ammunition dumps assembled by the industry against the clauses in the original AAA code need not be set off.

The Christmas holiday affects only the latter part of next week, the list of hearings being heavy in the first days. Codes scheduled are: Dec. 18—upholstery springs, fur dealers, truss manufacturing, bobbin, spool and shuttle, cotton garment membership, tool and implement, electric industrial trucks, hand chain hoist, chain, slide fastener; Dec. 19—women's belt (amendment), outdoor amusement parks, punch board, roofing granule, asphaltic limestone; Dec. 20—filing supply, bottling machinery, window shade, business furniture storage equipment.

Tugwell Bill Tension

Proponents and opponents battle over the proposed new Food and Drug Bill which the Department of Agriculture wants to force through the next Congress.

THE Roosevelt Administration is promising industry a new heaven—and a new hell. To attain the paradise of legal cooperation with raised prices industry must risk the Gehenna of government control.

The food, drug, and cosmetics industries smelled the brimstone last week, saw the imps raking at the clinkers when they appeared in Washington to oppose the so-called Tugwell Pure Food and Drug Bill, officially the Copeland Bill. The hearings were conducted by Senator-Doctor Copeland (Dem., N. Y.). He sponsors the measure in the upper house. He preserved his senatorial dignity while scores of drug, cosmetic, advertising, publishing representatives railed at provisions which they alleged would make the Secretary of Agriculture dictator of their industries, give him authority to set standards which would have the authority of law, would put even the wording of their ads and the shape of their containers under bureaucratic domination. Invariably, witnesses prefaced their denunciations with the remark,

"We heartily endorse the aims of this bill, but—"

Marshalling Support

Those in favor of the measure are principally Agriculture Department officials, professors of various colleges, women's clubs, an unestimatable percentage of public opinion. Chief of the Champions was Walter G. Campbell, head of the Food and Drug Administration, Secretary of Agriculture Wallace, his handsome assistant, Rexford G. Tugwell, whose name has become a byword and a hissing with the enraged drug trades. Mr. Campbell made the most complete presentation for the measure, during which he remarked,

"A denizen from the heart of Central Africa who learned medicine from a witch doctor could come to the United States and make a product with no more potency than water and sell it as a cure for all diseases."

Feeling runs so high on both sides that neither feels it is going to get a square deal. Most embarrassing were charges brought against Chairman-Senator Copeland by Messrs. Kallett & Schlink, who run Consumers' Research with philosophic aid from Stuart Chase. Mr. Schlink is one of the authors of "100 Million Guinea Pigs," which has long been a best seller. These gentlemen demanded that the bill be placed in the hands of another committee, alleging that Senator Copeland was biased. They charged that the senator was broadcasting "in behalf of a nationally advertised product," that during the broadcast statements were made which were "gross exaggerations" finding no "support among reputable American physicians." (The unnamed product was Fleischmann's yeast. The senator doesn't exactly prescribe it for the ills he diagnoses in his weekly broadcast lecture, but Fleischmann's Dr. R. E. Lee who follows him takes care of the tie-up for him.)

The opposition wanted an investigation of the activities of the Department of Agriculture in behalf of the Tugwell Bill. Officials of the department have been road-showing its patent medicine "Chamber of Horrors" and lecturing to women in behalf of the measure.

Shrewd observers back of the scenery are amused at the vitriolic denunciations of Prof. Tugwell. They are convinced that not he, but the Department of Agriculture, is responsible for the bill, also that Mr. Roosevelt wants some such measure, though he may not endorse all provisions of this one. They think the opposition would be embarrassed if the Department could maneuver Tugwell's name out of the argument. Food people aren't so vociferous, though they oppose the violent sections of the bill.

Up to the Ladies

Opinion persists that a food and drug bill will be passed but that present provisions will be very much softened. A large section of the advertising business hopes something will be done to correct outstanding abuses, believe the final bill may be all right. Nobody can gauge opposition that the bill will meet in Congress. Members who would like to oppose it to please local businesses or local publishers must consider how that stand would affect the women's vote

International News

NOW, IT'S THE COPELAND BILL—The medical senator from New York (right) and Walter G. Campbell, head of the Food and Drug Administration, talk things over before the hearings on the drastic new measure.

Business Week

MOTORS TO STEEL — Edward R. Stettinius, Jr., leaves a vice-presidency of General Motors to become vice-chairman of the finance committee of U. S. Steel, stepping into the post just vacated by William J. Filbert, recently made chairman. His years in the automobile business are valuable experience in the industry which sells most to the motor makers.

Cleaning Clean-up

NRA gets a lesson in the difficulties of price-fixing.

NRA got what it might have expected from its hearing on the unique price-fixing features of the cleaners and dyers code this week—3 hysterical smoke-clouded days of charges and counter-charges in which tales of bombing and kidnapping were mingled with arguments and counter-arguments on the real issue, which was whether prices had been set too high in the code (*BW—Dec9'33*).

It heard that cash-and-carry cleaners think they should have a differential, that big cleaners want prices lowered generally, that most witnesses agreed that the usual profit was 100%, with a few asserting that a 300% profit made it easy to pay code wages without price boosts, that a surprising number found no objection to the specified wage scale. "A chance to do our stuff at old prices," it learned, meant at anywhere from 2 suits for 39¢ (cleaned *and* pressed) up to the 95¢ cleaning price fixed for most cities under the code.

It was unable to reach any conclusion as to whether the highs or the lows were most responsible for the racketeering whose depredations furnished the announced reason for this first NRA experiment in direct price-fixing. It listened most attentively to the arguments of the cash-and-carry cleaners and a decision on their case was the only one promised at the hearing.

Urged by Compliance Director W. H. Davis to telegraph home that NRA prices should be put into effect so that they could come before the bar with clean hands, many offenders gave in. Others pleaded inevitable ruin, some rebelled at any price-fixing, one lone lawyer stood on the Constitution. So 108 were turned over to the Federal Trade Commission.

Labor Board Challenged

Weirton reopens the labor fight with its company union entrenched behind the collective bargaining rule.

BYSTANDERS were surprised when Ernest T. Weir, chairman of Weirton Steel Co., came out of the Labor Board's Washington office on Oct. 16 purring over Senator Wagner's settlement of his strike (*BW—Oct21'33*). They had not been surprised when Mr. Weir went into the office railing at the Labor Board and all its works. And they were not surprised by this week's news from Weirton.

The news was that he had torn up his agreement with the Senator; the explanation from Weirton, that the Board's rules for the scheduled December election of plant representatives, placed under its supervision, were not in accordance with the terms of the settlement.

In drawing up regulations, the Labor Board prescribed that nominations should be by petition as well as by secret ballot, each petition to be signed by 10 or more persons. It also specified that eligible voters should include not only employees (of 60 days service) on the payroll for the last half of November but also those not on that payroll who were on the roster for the first half of September. Mr. Weir adds, in breaking off relations, that other unwarrantable rules increased the number of employee representatives from 49 to 98 and permitted candidates to carry designations after their names.

He means that, as he sees them, these regulations permitted the Amalgamated Association of Iron, Steel, and Tin Workers to put up their own candidates ("by intimidation") without regard to the primary devised by the company union, gave it a better chance by increasing the number of representatives, let pre-strike workers no longer on the payroll swell its vote, and allowed its candidates to identify themselves on the ballot. And if the Labor Board thought it could do all this without Mr. Weir telling Senator Wagner that it was making a radical change in the representation plan "adopted by the employees themselves," not one of mere procedure, and that the company had no right to accept," it has been singularly naïve.

If so, it was rudely awakened last Tuesday when the Weirton plants at Weirton and Clarksburg, W. Va., and Steubenville, O., held their primaries under the old company union rules and Mr. Weir announced from Pittsburgh "a sweeping victory for the workers and a complete rout for the advocates of the Amalgamated." Since the disgruntled outside union exhorted the men not to vote under the circumstances and 74% of all those on the Weirton list of eligibles did vote, the company is sure that this announcement must be accurate. Elections were scheduled to proceed without benefit of Washington on Friday.

Nobody concerned is very naïve about the advantage that Weirton has taken of the 2-month interval. The Amalgamated knew that if it had gained sufficient strength since Oct. 16 the issue could not have been reopened. Mr. Weir knew that, if he could put up a good company union front, he was in a strong defensive position to meet any attack through NIRA's collective bargaining section, source of all the mandatory power the Labor Board can claim. The Labor Board, watching for a hole in that defense, knew that it had a fight and a strong fighter on its hands.

Toe-Guard

National Emergency Council's job is to keep the recovery units off each other's feet.

STEPPING on official toes by other official toes has become so serious a problem in Washington that, for the second time in a fortnight, President Roosevelt has set up a new agency for the purpose of keeping toes from being stepped on. The first was the Emergency Commercial Policy Committee, designed to keep foreign trade activities from overlapping (*BW—Dec9'33*). The newest one is the National Emergency Council, designed to keep activities of the emer-

gency and reconstruction groups from overlapping and toe-stomping.

The new group, made up of the Secretaries of Agriculture, Commerce, Labor, Interior, the heads of the relief organizations and of the consumers' councils (or, it is to be expected, their designates) and headed by Frank C. Walker, secretary of the Executive Council, has this function as its primary job. It grew out of conflicts of authority and of publicity which were getting aired in the meetings of the Executive Council, the so-called "super-cabinet" which rules all emergency measures. So much time was taken up with these differences that a smaller group, and one on which designates could sit (as they cannot sit in the "super-cabinet") had to be formed.

Information about all relief and reconstruction activities is also to be centered in this group, which is to have a considerable machinery set up outside Washington where citizens may learn, before getting into the maze of Washington, just where they ought to apply for what they want from the emergency program, be it information or help. Part of the job will be coordinating the publicity of the fast-multiplying units of the recovery program, which seems to have been getting out of hand.

Fight, Heat, and Power

The utilities' code hearing will launch their counter-attack on government competition. They are going to Washington with word that their stockholders are tired of taking it on the chin.

ANOTHER squall is about to hit Washington, with some high class thunder and lightning. The power companies are coming. NRA told them to present a code.

Operating heads of the principal companies met in St. Louis for a 2-day meeting and approved the draft of the kind of a code they would like. A committee has taken it to the capital and it is now waiting for formal presentation. A hearing will be held before General Johnson himself—in person—probably right after the holidays. But it will be more than just a code meeting. The power men will be there—horse, foot, and artillery—to lay their case before the country. Indignation, whipped up by the demands of important stockholders, has raised them to a fighting spirit and it looks as though the long impending showdown may be expected.

The suggested code drawn up by the utilities has not been released. But Washington knows that it drives right at the heart of the controversy that has long raged between the politicians and the power companies. For the power men demand that the municipal power plants and the federal power systems be compelled to operate under the same code with them. And Donald Richberg, NRA counsel, has already told the industry representatives unofficially that government (which includes municipal) plants cannot be put under codes.

The leaders of the power industry are in a tight spot. They are being told that the insurance companies, savings banks, trust companies, commercial banks, and individual stockholders are tired of seeing them take it on the chin, are demanding that the utilities quit the passive policy, followed since the Insull crash, and fight for their "rights." But these "rights" are all snarled up with political and legal snags that promise plenty of smoke, fire, and loud noise when the battle starts.

The power companies are already under the regulation of public service commissions in all but six states. They claim that they should not be placed under an NRA code also, any more than the railroads, which remain under the ICC. But they have been overruled. With hours and wages controlled by the code and their rates by the state commissions, they see a clash of authority and policy inevitable. And the situation is not made any simpler by tossing into it the fact that large power groups and government systems cross state lines and therefore come under interstate commerce.

The ability of the operating companies to pay interest on their indebtedness under established rates is vitally affected by competition, yet the government now offers to loan PWA money to finance the building of municipal power plants and itself launches into direct competition with the existing power supply in the Tennessee Valley, at rates that the independent systems say they cannot meet. The power men ask how they can work under a code, when the federal government and the cities are exempt, and free to figure their costs and their rates without restraint. They demand that all this "amateur rate-making" be reduced to some comparable basis of accounting, anyway, so that the public will know what it costs to make and distribute power and not just what it sells for.

If the power people fail to win their case before the code, they apparently intend to take it to the courts, to the U. S. Supreme Court if necessary. The gas companies, manufactured and natural, also come up for a code in the near future and will support them by also demanding protection against the competition of municipal and federal power systems.

So when General Johnson rings the bell for this code hearing, it looks as though he is going to open a real fight.

Power Rates

Census study shows that private power plant rates averaged lowest in 1932, but municipal ones had fewer big customers.

A NEW comparison of the cost of electricity from private and municipal plants is just available from the 1932 U. S. Census on the electrical industry. There were then 1,627 private power plants and 1,802 municipal against 2,137 private and 2,198 municipal in 1927. The reduction came from the purchase of municipal plants by private companies and the merger of small private companies into larger operating systems.

The private plant sold an average of 2,873 kilowatt hours per customer annually against 1,683 by the municipal plants. This was because city power is sold mainly to residence consumers and street lighting while the private companies serve farms, factories, electric railways, and other large consumers also.

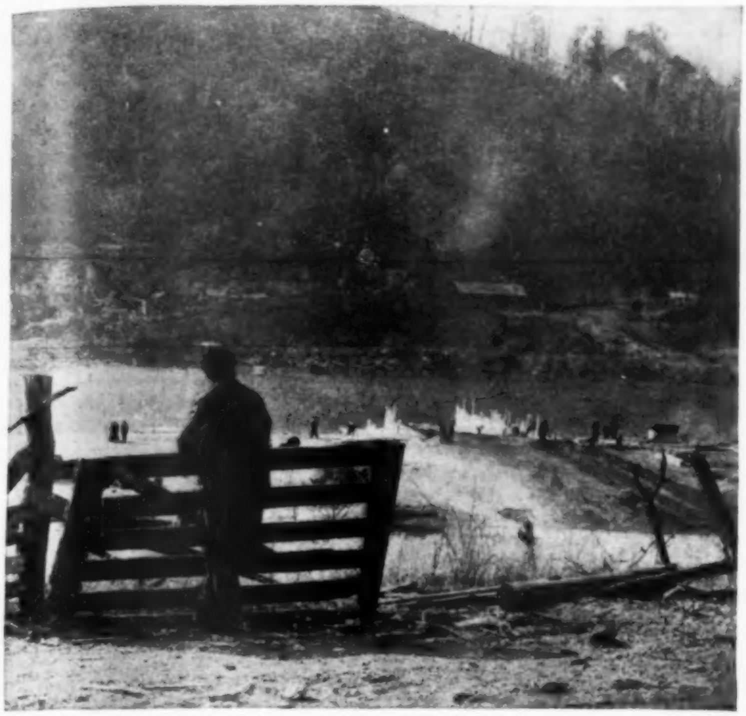
Due to this heavy load, the average price received by the private plants was 13% below the municipal rates. But domestic customers paid 5.6¢ a kw.-hr. to the private utilities and 4.7¢ a kw.-hr. to the city departments. The average household consumption for 1932 on the private lines was 600 kw.-hr. against 708 on the municipal circuits.

The average change in rates for both services between 1927 and 1932 is shown to be:

	Private		*Municipal*	
Cent per kw.-hr.	*1932*	*1927*	*1932*	*1927*
Farm service	2.8	2.0	5.6	6.8
Domestic service	5.6	6.9	4.7	5.5
Commerce and indust.	2.2	2.0	2.3	2.5
Street lighting	4.7	4.8	2.1	5.6
Street and inter. ry.	0.9	..	1.1	0.9
Electrif. railways	0.9	1.0	3.5	1.0

In considering these rates, however, the factor of taxation must not be overlooked. The private power systems of America in 1932 paid $217 millions in local, state, and federal taxes, to which a 3% tax on gross sales to domestic customers was added in 1933. But the municipal plants are exempt.

Gross revenues received by private plants in 1932 aggregated $1,703,303,728; by city systems, $117,801,796.



Cushing

DAM SITE WATCHER—One of the natives watches the beginnings of Norris Dam in the Tennessee Valley. The gray oblong at the extreme upper left marks the top of the dam to be. This same native, whether he knows it or not, is soon to have his standard of living raised in one of the greatest social experiments.

Selling Cars by Code

Automobile dealers find new trade-in rules carry considerable grief, but think code will work and are convinced that it must.

STARTING their code drive Dec. 1 to put their businesses on a sounder basis, automobile dealers are finding that their NRA model is not all that the advertising literature claimed for it. Its speed is hampered by large dealers who, in a mood of revolt, are unwilling to lend either assistance or moral support. Disagreement over proper used car allowances is tending to foul the spark plugs.

The code divides the country into 21 districts for administrative purposes. Used car allowances for each district are based, theoretically, on actual sales over the previous 60 days, an average of the highest 80% of transactions being taken. The 20% at the bottom of the price scale is eliminated to give the motorist a "break."

The Fight Begins

A first-class fight has already broken out in one district, quarrels are brewing in other districts over allowances. Dealers confess in some cases they don't know how prices have been arrived at, hint that some of the figures are estimates of used car appraisers rather than actual sales. They back up their argument by pointing to the round figures named in the NADA book (such as \$350, \$550, \$775). Actual sales would give odd prices (such as \$329, \$541, \$714).

In District 8 (including all of Michigan) the book of allowances has been withdrawn and new prices are being tabulated because dealers handling one prominent low-price car protested the low valuations put on their product.

Allowances Differ

There is a marked difference in the allowances made for the same car in various districts. With the low-price car the difference runs as much as \$90, in the quality field it goes as high as \$900. Dealers point out that a certain shrewd type of buyer will drive 300 to 400 miles to get \$100 more for his Ford, will go from the Carolinas to New York to take advantage of a \$600 boost in his Packard.

However, dealers are inclined to minimize this factor. They believe the average buyer will not drive long distances to get more money for his car, first because he can't see the "brown book," second, because he realizes that he cannot secure any service from his home dealer, if he buys elsewhere. The operation of the law of supply and demand also results in surprisingly large differences in trade-in values in New York as against Detroit, Cincinnati as compared with Chicago. This has long been the case and always will be.

The "Clean Deal"

Aside from the adoption of sane values on used cars, the code's greatest benefit is the prohibition of the granting of discounts on clean deals where a used car is not involved. Buyers in the last year have shopped around until it has not been uncommon for them to get \$80 to \$90 knocked off the delivered price of a new car by an eager small car dealer. No longer can dealers do this and live up to the code.

Despite a sharp increase in business in 1933, dealers have made little money and are not in materially better shape than a year ago. The recent history of a leading small car dealer in a metropolitan area is a typical example. This company sold twice as many cars this year as last, yet was only able to convert a sizable 1932 loss into a pitifully small 1933 profit. Its gross profit per car has been \$140. Of that amount \$20 went for used car losses, \$20 for new car discounts and \$35 to salesmen. All of the operating costs, salaries, rent, interest on investment, etc., must come out of the remaining \$65.

Obviously the biggest, strongest dealers in the country need a code least and a few of them are reputed to be girding their belts for a "knock-'em-down" fight. They insist they will not subscribe to the code, will take the matter into the courts if code provisions interfere with their business.

Enforcement Difficult

However impressive and pugnacious they may appear individually, they admittedly are few in number, for big, strong dealers are rare birds today. Generally speaking, automobile dealers have made no money since 1928. The code, which gives them a fighting chance to reestablish sound business practices, is like a shining light on an otherwise dark horizon. It is difficult to enforce, what with some 37,000 dealers in the country and a score of well-known methods of evading its provisions. The rapidity with which it has been put together has necessarily resulted in some of its actual workings being termed "screwy" by its critics, but these weaknesses and mistakes will be remedied as rapidly as possible.

Numerous sales of medium- and high-priced cars involving trade-ins justify the conclusion that dealers will experience the least trouble in those

Right Now. . . .

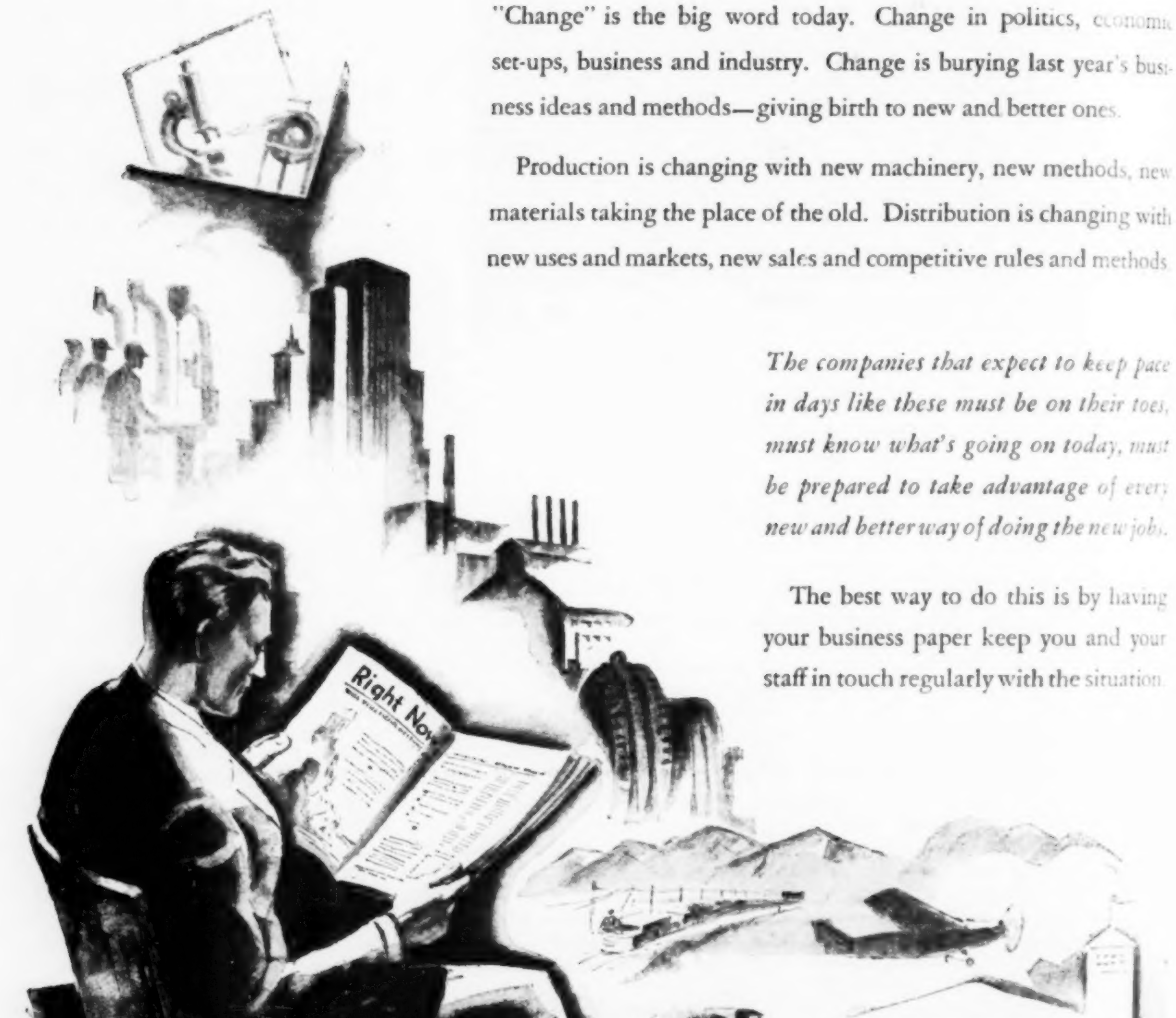
There's something new in

"Change" is the big word today. Change in politics, economic set-ups, business and industry. Change is burying last year's business ideas and methods—giving birth to new and better ones.

Production is changing with new machinery, new methods, new materials taking the place of the old. Distribution is changing with new uses and markets, new sales and competitive rules and methods.

The companies that expect to keep pace in days like these must be on their toes, must know what's going on today, must be prepared to take advantage of every new and better way of doing the new jobs.

The best way to do this is by having your business paper keep you and your staff in touch regularly with the situation.



McGRAW-HILL PUBLISHING COMPANY, Inc.

price-brackets. Packard, Lincoln, Cadillac, LaSalle buyers simply take the loss on their old cars and buy when they are ready. Some dealers in these cars feel that NADA allowance on the older models, those of 1926, '27, '28, and '29 vintage are priced too liberally.

Dealers selling cars in the $1,000-$2,000 range think that they stand to benefit most under the new set-up. They reason that they deal with the middle-class buyers, people who are intelligent bargainers, and, in the past, have been, perhaps, the greatest offenders in playing one dealer against the other. This type of buyer will now hit a stone wall—if the code holds—with the result that cars will be bought by preference or on merit rather than because one dealer is willing to give more of his profits away than another.

On Close Margin

In the low-price field operation under the code in many territories will simply involve an improvement over prevailing practices. Here, because of the low price of their new cars and the generally small margins of commission allowed them, dealers have been forced to watch allowances closely and are unwilling to tie up in an old car more than can be realized on a quick turnover.

So far, few dealers have shown any inclination to continue former chiseling operations. In metropolitan areas the centrally located dealers have had some cases in which smaller ones in near-by suburban towns have attempted to dodge the code, but prompt action on the part of the code administrator has prevented actual violations.

The main point is that the average dealer is staking his future on the fact that the code will work and has great faith in the ability and resourcefulness of F. W. Vesper, millionaire St. Louis Buick dealer who heads the NADA, in making it work. He knows that the code spells for him either salvation or oblivion. Many veteran dealers who have managed to struggle through the depression years and still retain their establishments openly declare that if the code breaks down, they will voluntarily give up the fight.

Looking Ahead to 1934

With sensible used car allowances and elimination of discounts, dealers are reputed to figure roughly that under their code they can make a reasonable profit on two-thirds of this year's volume of business. Factories are watching to see that smaller trade-in values, plus increased new car prices for 1934, do not discourage the buyer from getting that new car.

Car makers are also hoping that the Code, if and when it works, will re-establish automobile selling as a business and not a speculation. Their plans for expanded sales call for expanded dealerships.

Christmas Shopping

Offerings are predominantly American made and realistic; German imports fall below those from Japan.

RETAIL business is now well into the fevered period when every industry ballyhoos its product as a suitable Christmas gift. You are urged to give your loved ones a ton of coal, or a bushel of potatoes or 6 cans of floor wax. Because of reduced family budgets the current drive of extra-holiday goods is especially strong.

Here is only one difficulty faced by the toy industry this year. Thanksgiving marks the traditional opening for toy departments. Shopping days between that and Dec. 25 have a direct bearing on sales. Thanksgiving came this year on Nov. 30, leaving but 20 shopping days until Christmas, or exactly one shopping week less than last year. Some stores opened before the turkey anniversary, but sales showed that, by and large, the public adheres to the old habit.

In New York toy retailers suffered temporary panic when it was reported that people were so engrossed in legal liquor that they were not thinking of buying anything else. Calm surveys disproved this unworthy charge. Feelings were further relieved when the Department of Justice ruled that the mails are barred to liquor shipments, even within the borders of wet states. Generally, buyers are following ancient grooves and it is hoped that this year will better the $190-million toy sales estimated for last Christmas.

International money squabbles are benefiting American manufacturers. James L. Fri, managing director of the Toy Manufacturers of the U.S.A., declares that 90% to 95% of the toys sold this year are of domestic origin. Import figures prove that the cheaper dollar, aided by resentment against Herr Hitler, has cost Germany's toy makers dearly.

In normal years Americans buy $4 millions worth of toys from Germany. For the first 9 months of last year Germany sold us nearly $1 million worth, Japan trailing with $731,000. This year positions were reversed with Japan's total $887,000, Germany's only $500,000. Exports for the same period fell, too—from $655,000 to $596,000. (These go mostly to Canada, where American habits and sales effort have wide acceptance.)

Wide World

FORD AND FORD—The individualist of Dearborn decides what the public wants is a good V-8 with modern improvements. His new model, introduced with his spectacular New York show, is little changed in appearance, but under the hood is 12% more power and smoother, more economical performance.

Acme

SANTA CLAUS GOES WET—Repeal gives a boost to Christmas shopping, not only in the liquor department, but in the glassware to go with it. The scene: Macy's special liquor store at any time of day.

Toy makers are hoping to help meet the problems of greater leisure raised by NRA. The bill for adult play this year ought to surpass last year's $30 millions. Such a result would only be poetic justice, since effect of NRA on the toy-making industry to date has been nothing to cheer about. The Toy Code went into effect Nov. 13. Its provisions raise labor costs 30%–35%, total costs 20%–25%. True, manufacturers were allowed to adjust prices to soak up the extra expense. But most of the merchandise was ordered by then and there were such loud protests from retailers when a price hike was suggested that manufacturers let most of the old quotations stand.

Playing Grown Up

In this year's toys there is a decided trend toward realism. Dolls that only sketchily resembled the human young have given way to rubber counterfeits of the real thing with (we quote a press release) "cuddlesome bodies." Further, accessories leave naught to the imagination. The rubber babies even have diapers.

Many toys follow adult activities closely. There are nurse and doctor costumes with hot water bags, thermometers, etc. Small Pullmans are fitted with berths that can be made up. Furniture for doll houses includes exact copies of full-size originals. Electric stoves cook, washers wash, irons iron.

For small boys there is an electric engine wired for realistic chugging. Larger cars are complete down to porcelain details in wash rooms. Juvenile autos are streamlined, have shatterproof glass and balloon tires. A kiddie car has bumpers to save the furniture. The latest sled is equipped with wheels, brakes, and a flexible steering wheel. Fire apparatus appears in all sorts of new forms—possibly as a tribute to Fire Chief Ed Wynn. A novelty is a build-a-motor-car set with 60 pieces. Its interchangeable units and many combinations challenge the youngster's ingenuity.

Static offerings include a complete soda counter outfit which uses real foods. Cash registers and combination safes will aid lessons in savings. There are electric fire and police alarms to bring joy to the young and misery to nervous adults.

"Hello, Folks!"

Opposed to this tide of reality stands a small but defiant figure. It is none other than Mickey Mouse. With his absurdly tilted nose and persistent simper he appeals to every goofy ideal that inhabits the human breast. Licensed manufacturers display Mickey on china, silver, sporting goods, games, aprons, wall paper, radios, and a hundred other offerings. The only threat to Mickey's popularity is another Walt Disney creation—the Three Little Pigs. But this trio cannot hope to outlast the film displaying them. Mickey and Minnie march on to a larger destiny and a longer market.

Hard Times Index

Provident Loan Society finds that borrowers are up, loans down, collateral of less value.

WHEN times bear down hard on the Parisian he collects remaining valuables, if any, and repairs to his "aunt" for a loan. The "aunt" is slang for the Mont de Piété, which is slang for the municipal pawnshop. The hard-up New Yorker takes his watch to his "uncle," whose door is adorned with the three gilded balls or, if he is wiser, to one of the 18 offices of the Provident Loan Society.

The Provident Loan is New York's nearest approach to the low-interest municipal pawnshops of Europe. Its records reflect in numerals and chart lines the fluctuations of the city's distress.

Average Loan $33

Figures are of interest. At the end of August there were outstanding 476,000 loans, an increase of 16,000 over January. From 1931 to 1933 the average amount of the advance dropped from $53 to $33. This trend has been fairly steady since the hoorah days of 1929.

The smaller amounts are less profitable to the society but it doesn't mind since it is doing exactly what it was formed to do—aid the unfortunate who have left few belongings of loan value. The interest rate is 1% a month, which is from one-third to one-half the interest allowed by law to licensed pawnbrokers.

Larger loans bring in greater profits and when the society has a heavy surplus (as in 1929), it makes them. During the boom it was a common thing for speculative ladies to hypothecate their rings and bracelets to play the market. A curious phase of this summer's bull market was that it had almost no effect on the loan business of the society.

Diamonds Favorite Pledge

Inevitably, diamonds form a major percentage of the society's business (*BW—Sep21'32*). Unredeemed stones are sold at auctions which have become a major factor in American diamond prices. These sales, carried on in New York only, disposed of an amount equal to 40% of all diamonds imported into the country during 1933's first 7 months.

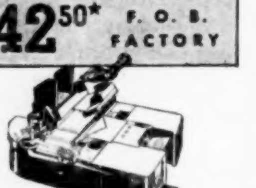
In this bright commodity there appears a kindling ray of hope for better prices. Diamonds hit bottom about Jan. 1. Since then there has been a 20% rise in price per karat of all diamonds sold. Also encouraging is the fact that fewer stones are being abandoned by the persons who pledged them.

Despite losses caused by price slumps between lending and selling dates, the Provident Loan continues its activity with a financial statement that many a regular business concern would envy.

The equipment that has made money for in every kind  and size  of business is

will make Money

AS LOW AS 42^{50}* F. O. B. FACTORY



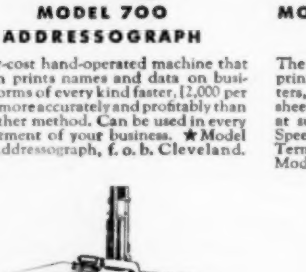
MODEL 700 ADDRESSOGRAPH

A low-cost hand-operated machine that ribbon prints names and data on business forms of every kind faster, (2,000 per hour) more accurately and profitably than any other method. Can be used in every department of your business. ★Model 100 Addressograph, f. o. b. Cleveland.

AS LOW AS $115* F. O. B. FACTORY

MODEL 100 MULTIGRAPH AND TYPESETTER

The ideal equipment for office use to ink-print or ribbon-duplicate bulletins, letters, office and factory forms, advertising sheets, envelope enclosures, menus, etc., at substantial savings. Hand-operated. Speed up to 2,500 an hour. Low price. Terms . . . ★Model 100 Multigraph $115, Model 59 Typesetter $30, f. o. b. Cleveland.



MODEL 1100 ADDRESSOGRAPH

Designed to provide at low cost the convenience, speed and capacity of electrically driven name-and-data writing equipment for concerns whose requirements are too great for hand-operated models. Handles a wide variety of forms at 2,000 per hour.

MODEL 200 MULTILITH

The world's lowest priced lithographic machine. Recommended for the duplicating of letterheads, letters, office and factory forms, drawings, type areas, and other subjects not involving halftone screens or heavy solids. Machine speed 4,000 per hour.

TODAY'S business conditions demand that you get more done each hour . . more speedily and at lower cost . . more efficiently and effectively than ever, to accomplish the increased profits you desire. The records of successful businesses during the past few years reflect the importance of Addressograph-Multigraph Products in lowering operating expenses, while increasing sales volume and profits. It is the PROVED money-making equipment for you!

The Addressograph Method

The Addressograph method of writing much-repeated business information is far more economical . . incomparably more accurate . . and many times speedier . . than any other method of writing names and data on production, accounting and collecting forms, and on sales promotional literature.

Whether it be a name and address of a customer or prospect . . a specification or an employee's name . . a record of operations . . Addressograph will reproduce it from an indestructible metal record with unfailing 100% accuracy, ten to fifty times faster than any other method.

Whether you maintain but a few business records . . or thousands . . or copy names and information from these records frequently or infrequently on statements, bills, sales literature, cards, orders, checks, payroll forms, and other office and factory forms . . Addressograph will save and make money for you.

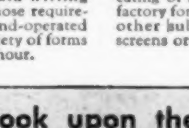
The Multigraph-Multilith Method

Multigraph and Multilith . . right in the offices of users . . save up to 40 percent on the cost of printing office and factory forms. They effect similar savings in printing . . in one or more colors . . folders, booklets, enclosures, price lists, post-cards, blotters, catalogs, personalized sales letters, and other types of direct appeal advertising which all businesses find so profitable.

Look upon the Experience of others as your guide to Future Profits

Large Manufacturing Company Writes:

"Addressograph-Multigraph equipment plays a very important part in this company's progress. The speed and convenience they make possible in getting out selling messages, and the economy they assure in the printing of literature, stationery, etc., are essential factors in developing profit for us." D. M. Frank, Adv. Mgr., Williams Oil-O-Matic Heating Corp., Bloomington, Ill.

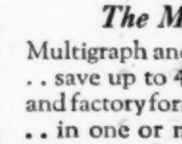


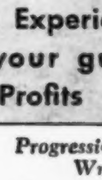
Western Business Man Writes:

"We give all credit to your equipment for the 15% increase in business which we secured. It also has helped us save approximately $20.00 per month in advertising expenditures." John A. Hill, Bernard-Hill, Tailors for Men, San Francisco, Calif.

Progressive Retailer Writes:

"Your equipment has increased our business and profits more than anything we have used for a long time." Dooley's High Grade Food Store, Independence, Missouri.





Chicago Company Writes:

"To our Addressograph and Multigraph equipments go a great part of the credit for the exceptional business we have enjoyed during the past few years. The savings they make are very great." James T. Mangan, Director of Advertising, Mills Novelty Co., Chicago, Ill.

Household Appliance Manufacturer Writes:

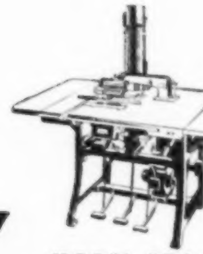
"Multigraph saves as much as 50% on the costs of producing our stationery, forms, and advertising material; and Addressograph effects large economies in our Head Office and Branches." Eureka Vacuum Cleaner Co., Detroit, Mich.

EUREKA VACUUM CLEANER COMPANY

A Public Utility Writes:

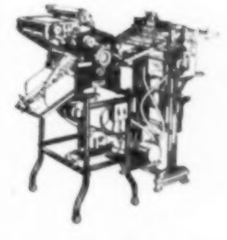
"We estimate that your equipment saves us about $655.00 per year. Speed and accuracy are also important advantages which it assures to us." Carolina Power and Light Company, Raleigh, North Carolina.

many thousands the equipment that *for You!*



MODEL 2700 ADDRESSOGRAPH

Effects greatly decreased costs, improved clerical efficiency and increased profits when applied to the mechanical writing, listing or imprinting of forms in every phase of business. Speed, up to 5,000 an hour.



MODEL 296 MULTILITH

A very compact and completely automatic offset lithographic press for layman operation. Reproduces photographs, illustrations, advertisements, maps, letterheads, forms, etc., in fact, any line or tone subject within its range of capabilities. Machine speed 5,000 per hour.

Multilith . . the latest and most sensational Multigraph product . . is the first office machine to bring lithography within the scope of layman utility. Now, in your own office, you can actually lithograph your own letterheads, catalog pages, sales messages, bulletins, etc., with a revolutionary simple process. From idea to printed piece is a matter of minutes with Multilith. This genuine lithographic office machine offers you new standards of speed, quality, and economy in printed material. Investigate it now!

For Effective Sales Promotion

Addressograph-Multigraph Products will help you make more money by adding drive and power to your sales efforts. The attractive, colorful ink-printed advertising pieces which they can produce at savings averaging 40%; the neat, attention-getting personalized letters which they ribbon-duplicate; and the speed with which these machines direct the messages to the public, are strong forces that help salesmen do more effective work . . . stimulate interest and enthusiasm in your products . . . keep your name before your customers . . . create new leads.

Addressograph-Multigraph Products ensure contact and coverage of all your sources of possible orders at a minimum selling effort and with maximum results.

Free Demonstration . . . No Obligation!

In the broad line of Addressograph and Multigraph products there is a model, or combination of models, that will help you reduce expense in every department of your business, while increasing sales and profits. A representative will be glad to demonstrate and explain their advantages, without any obligation on your part. Low prices . . . convenient terms. Consult the "Where To Buy It" section of your telephone book for the address of your nearest Addressograph and Multigraph Sales Agencies, or write direct.

Addressograph Company . . Multigraph Company

Divisions of
Addressograph-Multigraph Corporation
Cleveland, Ohio, U. S. A.

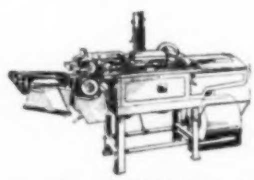
NRA
WE DO OUR PART

MODEL 5200 DUPLIGRAPH

Produces a complete facsimile typewritten letter, including date, individual name, address and salutation, together with body of letter. Speeds range up to 500 completed letters an hour. Hand operated. Also prints bulletins, price lists, notices, etc.

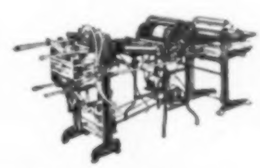
MODEL 66 MULTIGRAPH

Folders, booklets, bulletins, price lists, cards, stationery, house organs, tags, bags, sales letters . . . these, and many other types of ink-printed and ribbon duplicated material can be produced on the Model 66 at low cost. Speed, 5,000 per hour.



MODEL 3700 ADDRESSOGRAPH

A time proved economizer in the complete production of public utility bills, premium notices, dividend checks, pay checks, tax notices, installment notices . . . . in fact, any form of standardized material, at speeds up to 8500 printed and filled-in forms per hour.

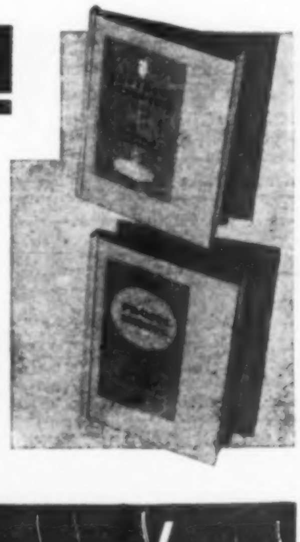


MODEL 86 MULTIGRAPH

This heavy duty ink-printing and ribbon-duplicating machine can produce a major part of the general printing requirements for any business. Prints quality forms, advertising material, etc., at speeds up to 5,000 an hour.

FREE!

"Business Short Cuts", an Addressograph primer, and "Profit Making", a Multigraph primer, will clearly explain how Addressograph and Multigraph operate, and their method of application to the daily functions of business. They are written in a simple, easy-to-understand, interesting style that fully describes the wide range of profitable utility possible with these machines. Sent FREE to all responsible executives and business owners. Absolutely no obligation . . . write on your letterhead today.



Addressograph TRADE MARK

Multigraph TRADE MARK

Self-Policing for Oil

The government, with every ability to "meddle," forces the petroleum industry to work out its own salvation.

No industry is more completely under the governmental thumb than the petroleum industry. The President and his Administrator have the power to control production, refining, and distribution, to set quotas and prices. Included in NIRA and in the petroleum code are all the facilities for "governmental meddling." Yet the vast powers of the Oil Administrator have been used less in direct control of the industry than in an effort to force self-control.

The large and quarrelsome petroleum family has never been very good at that. The kid brothers and step-sisters were clamoring for a little paternalism, please, even before Aunt Nira came to live with them. Then came the code, a set of Marquis of Queensberry rules to put the fighting on a less bloody plane. Included, was a half-way price-fixing scheme which satisfied neither proponents nor opponents of the principle.

All families, no matter how quarrelsome, will unite against the outsider. With the threat of price-fixing, Administrator Ickes created in the industry a kind of family pride. Some members wanted some kind of price-fixing, others were vigorously against it; but none wanted a free-for-all in the public hearings.

Cooperation Under Pressure

The Administrator postponed the hearings several times to give the objectors a chance to think it over. Finally, he set December 7 as the dead-line. Both sides pleaded for more time to get together on a substitute for the price-fixing plan, another 40 or 60 days. But Ickes was adamant: if they couldn't get together in 40 hours, they couldn't do it in 40 days—or 40 years.

So the major opponents and proponents of price-fixing went into the silences with the industry's Planning and Coordination Committee. They came out with plans for a stabilization pool to buy up distress stocks at a fair price and keep them off the market, a membership set-up in which all groups could be represented, a special protection for the small refiner, some marketing rules and margin definitions to clean up distribution. They threw in for good measure, a pledge of allegiance to the Administrator, the Planning and Coordination Committee and the NRA.

Vigilantes Committee

To bring about stabilization from within the industry itself, major companies have signed 2 agreements. Included are Amerada, Atlantic, Barnsdall, Cities Service, Consolidated, Continental, Mid-Continent, Phillips, Plymouth, Pure Oil, Shell, Simms, Skelly, Socony-Vacuum, Standards of California, Indiana, Kentucky, New Jersey and Ohio, Sun, Texas, TideWater, and Union of California.

The first agreement provides for the formation of the National Petroleum Agency, capitalized (unofficially) at $10 millions. Members participate in proportion to their interests, roughly in proportion to their industrial activity. Membership is open to all units of the industry on that basis. Management is vested in a board, one governor nominated by each member, the governors electing an executive committee of 5 with the power of the board.

The Agency would "purchase, hold, and, in an orderly way, dispose of surplus gasoline which threatens the stability of the oil price structure, in an effort to bring the prices of gasoline into proper relationship with the present price of crude oil and to maintain and support such relationship."

No purchases would be made while the agency had any substantial quantity on hand. No purchases would be made from members. No "hot" oil would be bought.

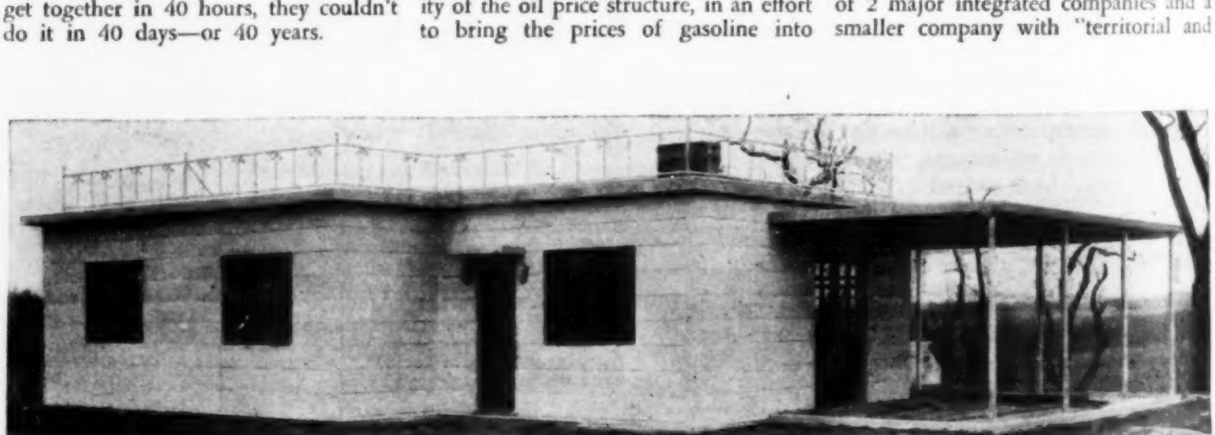
Members promise to support the making and enforcing of crude oil allocations and the control of crude and gasoline; to aid the Planning and Coordination Committee in stabilizing markets to prevent improper practices; to actively assist the Committee and the NRA in the effort "to preserve the right of the petroleum industry to self-government"; to "assist in the effectuation" of approved plans for development of new pools; to cooperate in "obtaining and allocating, under supervision of the Committee, supplies of crude oil for refiners without adequate supplies to meet their reasonable and proper requirements . . . to assist the Committee by placing at its disposal 1% of their respective current crude production and purchases for allocation among other refiners." Thus, the big fellows promise to look after the little fellows.

Price War Disarmament

The second agreement, signed by the same major companies, concerns marketing. By defining the margins under which distributors, jobbers, wholesalers and retailers may operate, it attempts to kill the bitter local price war by maintaining the retailer's margin, making the producer-refiner pay for the fight.

Retailers of more than one brand would get, on fuels over 60 octane, a gross margin of 3½¢ a gallon; exclusive agents would get 4¢ a gallon. Fuels below 60 octane would rate a margin a cent lower.

Each of 6 regional committees would appoint a 3-man "stabilization committee" composed of representatives of each of 2 major integrated companies and a smaller company with "territorial and



Business Week

A LITTLE SHRUBBERY WOULD HELP—This steel house, just erected in Zanesville, Ohio, looks a little bleak for lack of landscaping but it provides fire-safe, weather-tight housing at low cost. Universal House Corp. will duplicate it for $2,770—living room. dinette, kitchen, bath, 3 bedrooms, 2 porches. Walls are 16-gauge Armco ingot iron, lacquered on the outside, insulated with spun glass, lined with insulating board. Floors are cellular sheet steel finished with hardwood.

not merely local interests." Parties to the agreement, before meeting local competition, would see the stabilization committee, which has authority to hold up a price fight for 2 days, negotiate for restoration of normal markets. Contracts would be rewritten to conform as soon as practicable.

In the event of violations, the local committee would move swiftly and drastically, the supplier would be notified to suspend deliveries of motor fuel, and no party to the agreement would furnish supplies to the offender during the suspension—which ("such period as the Committee shall determine") might be indefinite.

The agreement is not effective until approved by the President or his agent, and then not until adopted by such percentage of the industry as may be found necessary to its practical operation, this to be determined by the Planning and Coordination Committee and approved by the Administrator; in no event, until refiners whose runs to stills account for 85% of the November total have signed up.

In essence, the companies who represent a big proportion of the industry have said to the government, "Let us run our own business. We'll buy up the troublesome surplus, police the retailing, support production control and look after the little fellow. Any time you think we're taking advantage of consumers, you can cancel the whole thing."

Truckers Rebel

Withdrawal from Transportation Conference follows truckers' decision that the railroads were hauling it toward rate regulation.

IN withdrawing from the National Transportation Conference, the American Trucking Associations, Inc., has backed away from rate regulation. The truckers' new-born national organization included in their code a provision for filing tariffs, but is reluctant to go any further at this time. Many truckers cherish the hope, indeed, that the code will stave off regulation by Congress.

So the truck association shied away when the Transportation Conference adopted a recommendation that government jurisdiction over interstate carriers be extended to interstate common, contract, and for-hire highway carriers, after defeating an amendment proposed by the truckers that time should be allowed to watch the working of their code.

The National Transportation Conference was organized by the Railway Business Association. The walk-out by the truck organization climaxed several incidents which convinced the truckers that the conference is dominated by consideration for the railroads.

Insurance Shows Its Medals

Life presidents are encouraged by decline in policy loans; commissioners, studying changes in company security holdings, follow "convention" values with compromise values.

DECEMBER is always a busy month for insurance people. Life insurance presidents selected New York's Waldorf-Astoria as most suitable for unfolding the billion-dollar position of their impressive industry, while the states' supervisory insurance commissioners made themselves comfortable in the heart of the clothing manufacturing district. The latter gentlemen concerned themselves with the important problem of evaluating the far-flung investments of insurance companies, enabling them to make the best possible showing in the face of none too encouraging investment opportunities.

1933 Loss Small

The presidents estimated that total life insurance in force at the end of 1933 would probably show only a 5% decline from the $100 billions of the preceding year. The peak of $109 billions was reached in 1931, but the depression years have pressed hard on the millions of policy holders. The $95 billions of protection now in force is on a par with the 1928 total. New business written by all companies during the current year ranges around $13 billions, representing a steady decline from the $19.3 billions of 1929. But considering the economic situation in the first half of 1933, the record is not a bad one.

Accompanying charts reflect the trend of investments of some 39 life insurance companies representing about 82% of the admitted assets of legal reserve companies. The upward swing of policy loans is strikingly illustrated, reaching an all-time high in February, 1933, when the bank crisis impended. That the trend since the first quarter of 1933 has been downward, in spite of the lifting of loan restrictions, is decidedly encouraging.

Mortgage Holdings Up

Insurance companies have placed a comparatively small portion of their assets in farm mortgages, and since 1927 have reduced outstanding investments 20%. At the same time, funds invested in other mortgages have risen from less than $1.4 billions in 1923 to $4.9 billions in February, 1932. About 34% of total admitted assets are held in mortgages. Real estate holdings of some 51 life insurance companies have increased $300 millions to the unusually high figure of $1.1 billions, partly as a result of foreclosures.

The depression urged insurance companies, as well as banks, to greater liquidity. This partly accounts for the increasing interest in building up the government bond portfolio, particularly with federal bonds. Since January, 1929, when the holdings of the leading 39 companies stood at $974 millions, a 64% increase has occurred, bringing the current holdings to nearly $1.6 billions.

Valuation Change

Railroad, utility, and other industrial bonds and stocks now are finding less favor among insurance concerns. The drastic depreciation of securities introduced an added problem in the matter of annual asset valuation. Formerly, quotations as of Dec. 31 were generally accepted, in spite of the theoretical objections that might be raised to a single day's prices. At the close of 1931, the National Convention of Insurance Commissioners arbitrarily selected the approximate quotations ruling on June 30, 1931, as the basis for a fair valuation of insurance company holdings. The situation in 1932 found security markets more depressed than in 1931. Again the "convention" values of 1931 were adopted.

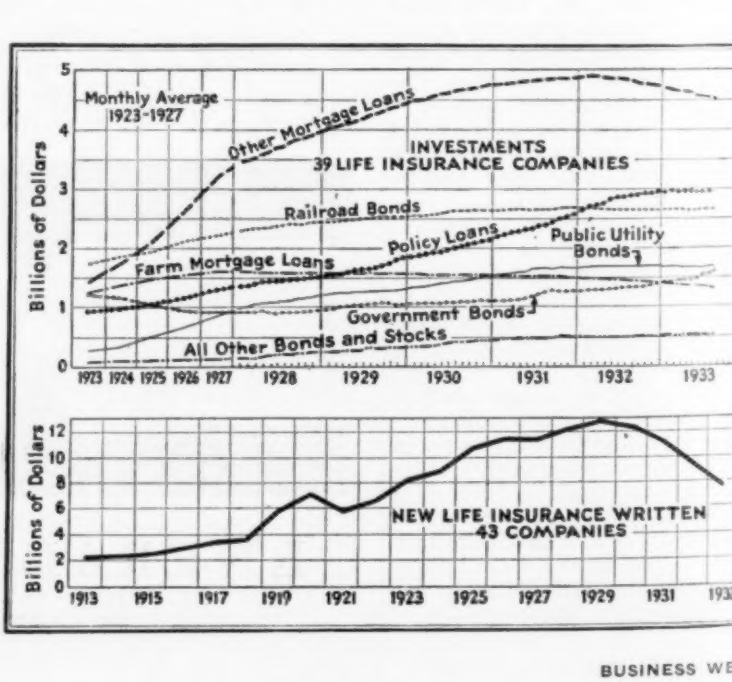
But the current year indicated that the bottom of market values had probably been reached. The Standard Statistics index of 90 leading stocks had risen from 43.9% of the 1926 average to 81% on Dec. 5 when the commissioners met for their semi-annual discussions. They were encouraged to make some move toward bridging the gap. Yet even current prices were none too high. A compromise was adopted whereby security prices of Nov. 1, 1933, were averaged with the "convention" values. For stocks, this method was equivalent to taking practically the peak values of mid-July, 1933.

Where state laws permit, bonds not in default may be valued on an amortized basis. Special provisions were drawn up for government bonds. While these regulations applied to insurance companies in general, the commissioners appended an additional proviso for life insurance companies whose holdings of stocks are comparatively small. Cost or book value of stocks, whichever is lower, may be used if the income received on such stocks during each of the past 5 years was at a rate sufficient to meet the interest required to maintain policy reserves and other policy obligations.

Statistical Bureau Proposed

An amendment to the 1933 valuation rules was adopted the following day provided that bonds and stocks purchased since June 30, 1931, should be valued at the market price prevailing on Nov. 1, 1933.

Commissioner Dunham of Connecticut proposed that a national statistical bureau, responsible to the state commissioners, be established for the appraisal of insurance company portfolios. The 32 commissioners were almost equally divided about the wisdom of such an organization, but further study of its merits was recommended.



Prison Goods Curb

Cooper-Hawes Act, now going into effect, brings jobs out from behind bars, starts up new plants.

BELLS that ring in the new year will be a prelude to a new deal in prison-made goods inaugurated by the Coolidge Administration. On Jan. 19, five years after its signing by President Coolidge, the Cooper-Hawes Convict Labor Act becomes effective. The measure is expected drastically to curtail the competition of prison labor with free workers receiving wages.

Packed With Dynamite

Few measures of such importance have been packed into such an economy of words (*BW—Oct12'29*). The business portion of the Act occupies 12 lines of type. It states merely that prison produced goods must conform to the laws of the state where they are sold. This innocent-seeming requirement is packed with dynamite. Formerly a state might try to protect its labor by carefully hedging the market for goods turned out by penal institutions, but such laws applied only to goods produced within its borders. Therefore a neighboring state—perhaps with just as severe laws—could ship prison products over the line and interstate commerce power vested in the federal government prevented any restrictions on sale of the merchandise. The federal Cooper-Hawes Act merely helps each state make its own laws operative. Companies were given 5 years in which to readjust themselves.

Labor organizations hail the act as the extractor of a thorn that has long irritated the free worker. So do manufacturers who compete with contractors for prison goods. Convict output was a real factor in many lines—especially in cotton garments for women and children, in work shirts, overalls, etc., for men. Estoppage of interstate traffic in such goods arrests developments that might have been even more serious. There are around 116,000 persons in American prisons, not counting municipal hoosegows and workhouses. Their potential production has been estimated at $150 millions.

Locks the Door

Hereafter, a state which provides that all prison goods much be labeled as such can make it stick for all goods sold in its boundaries. New York state (boasting 10% of the nation's consumers) followed the Cooper-Hawes Law with an act prohibiting sales to the public of convict goods.

Labor's cheers for the Cooper-Hawes Act chime with a chorus of low growls from employers who fattened on the old system. They were of several types. Some designed dresses which were made up by women in prisons with materials

furnished by the state; some furnished materials and machines; others merely took the merchandise at the prison door and distributed it.

The new act will not go into effect without a battle. Plaintiffs not wholly disinterested are trying to head it off on the ground that it is unconstitutional. The New York law has been attacked for alleged violation of the state's basic law. Legal and commercial phases of the act came up at the meeting of the International Association of Garment Manufacturers in Chicago this week.

Freeing of convict production for the benefit of wage earners comes at a time when jobs are badly needed and an arctic winter threatens. Companies driven from the prison field are putting up plants (without bars), hiring workers. The South, because of wage advantages, is most favored in the relocations. One big manufacturer of work clothing is opening 5 plants in Tennessee, 1 in Grand Rapids, Mich. Another has established 2 plants in Mississippi. Still another has selected Kentucky as a location.


Wide World

"PATIENCE, PLEASE" — Edward O'Neal, president of the Farm Bureau Federation, opens the convention with a message from President Roosevelt saying the farmers are a little better off, but not yet out of the woods.

AAA Blessings

Farmer's interest in a new car has stifled agrarian revolt. Flood of benefit payments is bringing purchasing power to the hinterland. But wheat reduction is dubious and milk tangle is getting more tangled.

MAYBE one reason why the widely heralded farm strike scheduled for this fall petered out was because farmers were too busy buying automobiles. A steady flow of wheat checks has added \$3.5 millions to the purchasing power of 52,000 farmers in 19 states. Approximately 600,000 cotton producers are receiving advances of 4¢ a pound on 2.4 million bales of option cotton. Growers of 3 billion bushels of corn are receiving loans at 45¢ a bushel through the Commodity Credit Corp.

The index of prices received by farmers has risen to 72 against 70 during September and a low of 68 on Oct. 15. The price of cotton at the farms now averages 9.6¢, as against 8.8¢ on Aug. 15, and 9¢ on Oct. 15. Secretary Wallace estimates that the 1933 gross farm income will be \$6.4 billions as compared with \$5.1 billions in 1932.

Evidences of Recovery

In the country towns, evidences of recovery meet the eye. Mrs. Farmer, whose interest in a new dress for the last 3 years has been purely academic, has now reached the stage of more self-assured price inquiry. Reports are that rural consumer choices are not confined to the products of local couturiers, but have now broadened to include gasoline-powered washing machines for the farmer's wife and automobiles for the whole family.

In the latter category, optical evidences are supported by an astounding set of figures. New registrations of automobiles in October were 358% higher in Idaho than for October last year; in North Dakota, 239% higher; Texas, 137%; North Carolina, 181%; Mississippi, 186%, and in a large group of agricultural states increases have topped the 100% mark. These are not freak figures for one month. If we were to make a map of the United States showing in white the states in which new car registrations for the first 10 months of 1933 were 30% or more ahead of 1932, we would have to include all of the Southern states except Florida, all of the far-Western states except Nevada, and such important agricultural states as Nebraska, Kansas, Iowa, Illinois, Indiana, Ohio, Kentucky, and West Virginia. Statisticians, who jubilantly announce that October automobile production was almost 200% higher than in October, 1932, may well ponder over the effects of the AAA on agriculture.

No wonder the President told the Farm Bureau Federation that "we seem to be on our way."

This semblance of agrarian recovery is largely the consequence of national policy and action in which the AAA has played the leading rôle.

That its variegated domestic activities are to be broadened to include rehabilitation of the export trade is indicated by the transfer of the ruffled Mr. Peek, who is to become the chief executive of a new committee to "recommend permanent machinery to coordinate all government relations to American foreign trade." Obviously, this is not a mere makeshift to dispose of an awkward personal situation. The Administration has repeatedly shown its concern over the foreign trade outlook, especially of agriculture. Francis B. Sayre recently came to the State Department to take charge of the formulation and consolidation of foreign economic policy. Ex-Senator Brookhart has been working at the Department of Agriculture on farm commodity exports. At the RFC, Harry Payer has been busy on the question of extension of credit for foreign farm commodity purchases. Hence the observer of the intricate variety of domestic activities of the AAA should not be surprised if the Administration should shortly spring a new one that will deal with the agricultural export situation.

A Full Program

Those who start to enumerate the Administration's ministrations to agriculture are embarrassed by the wealth of material. The 1934-35 cotton acreage reduction program has been announced and seeks to restrict cotton acreage in 1934 to 25 million acres against 30 millions in 1933, 36 millions in 1932, and the 1926-30 average of 42 millions. Growers who sign agreements to reduce production will receive rental payments, based upon the productivity of land they agree to withhold from production, at the rate of about 3½¢ a pound on the average yield of cotton in the years 1928-32. The maximum rental will be \$18 per acre, payable in 2 equal parts—the first between Mar. 1 and Apr. 30, 1934, and the second between Aug. 1 and Sept. 30. It is estimated that 15 million acres will be rented and growers will receive \$125 millions, to be financed out of the processing tax on raw cotton.

The corn-hog production control program involving \$350 millions has been launched. It involves a reduction of not less than 20% of the corn area planted

in 1932 and 1933. Payments are to be made at the rate of 30¢ a bushel on the estimated yield of the acreage contracted for reduction, based on the average production per acre from 1929 to 1933. The first payment will be made at the rate of 15¢ a bushel after the contract is signed and the balance after Nov. 15, 1934, upon sufficient evidence that the contract has been fulfilled. In the meantime, the Commodity Credit Corp. is extending loans at the rate of 45¢ a bushel (based at certain points) on corn stored on the farm. The Nov. 22 farm price of corn was 41¢.

Hog Control

The program also includes a hog agreement to reduce by 25% in 1934 the average number of litters farrowed during the 2-year period, 1932-1933, and to reduce the number of hogs produced for market from 1934 litters by a like amount. The producers also agree not to increase the number of feeder pigs bought from Dec. 1, 1933, to Dec. 1, 1934, above the average bought during the 2-year period. The official announcement of benefit payments for the hog reduction program reads: "A hog reduction payment of $5 per head on 75% of the average number of hogs marketed (or to be marketed) from litters farrowed by the producer's sows in the past 2-year base period, provided the 1934 hog production is reduced in accordance with the contract."

Experts are wondering whether the experience of the crop reduction program in cotton whereby, after almost a third of the crop was ploughed under, the final crop was almost the same as last year, is to be repeated in winter wheat. Private estimates of winter wheat plantings, despite contemplated expenditure of well over $100 millions to farmers for acreage reductions (*BW—Nov4'33*) are now placed at 39,670,000 acres, against 39,902,000 in 1932, 40,420,000 in 1931, 43,520,000 in 1930.

Wheat Double Cross

If the estimate is correct, farmers are planting 99.2% of the acreage of a year ago. Acreage increases are general in the areas usually of minor importance in wheat production, offsetting reductions in such heavy producing regions as western Kansas, northwestern Texas and Oklahoma, and Pacific Northwest. Furthermore, the condition of wheat at the beginning of December was not quite so severe as a year ago, although still well below the 10-year average. Nat C. Murray, national crop expert, figures it at 75.1% of normal against last year's record low of 68.9% and the 10-year average of 83.3%. Drouths have been the principal cause. Recent rains have been insufficient to be of any material help. In essence, these figures mean that the farmer not eligible for government bonus of wheat acreage reduction is defeating the program.

Milk is another major item on the AAA program. Trying to bring order into the tangled milk situation by continuing to effect milk-shed marketing agreements is a ticklish job. It involves an industry that brings the farmer almost one-fourth of his gross income. So far, some 13 milk-shed agreements have been made, and 107 applications are on file or conferences are under way, including one for Greater New York. Even enforcement has gotten under way. Orders to show cause why their license should not be suspended have been issued to 119 alleged violators in the Chicago area and 21 in the Philadelphia area. In two cases, licenses have been revoked. Another division is trying to work out a production control program, which is expected to deal with the complicated seasonal surplus production problem and probably will include some recommendation for the elimination of tubercular cows, thus combining control, sanitation, and farm relief.

Spilling Milk Data

Hearings before the AAA are not clarifying the situation. One Chicago distributor stated that he could sell milk at 5¢ a quart without loss, covering all of his expenses including payments to farmers of $1.95 a hundred-weight on base milk, "no surplus." Other figures were cited to show that a 3¢ spread between processing costs and delivered prices meant a profit of something like $15 millions a year in the Chicago milkshed. The "Big Four" dairies of Chicago, whose reported costs have set the retail price there, hold that these figures are fantastic, but the AAA took them down for what they were worth.

The milk issue is looming importantly in the recovery program. Mid-Western senators and congressmen are saying frank things in the newspapers, want to know why the farmers get so little, why milk prices are so high. Something is going to bust the distributor-cost issue wide open in the coming session of Congress. At the moment it looks as if it were going to be milk.

In New York, where the Spencer report (*BW—Nov18'33*) has temporarily quieted the farmers, there is now open revolt by dealers and distributors against the Milk Control Board. The constitutionality of the law is before the Supreme Court. Retail grocers are preparing to fight any and all milk codes and marketing agreements. The present differential of 1¢ between house delivery and store delivery is unsatisfactory. They want to make it at least 2¢. The National Dairy Products Corp. and Borden Co. have put a new knot in the snarl by selling unadvertised brands of milk through the chain grocery stores, even in the A.&P., in addition to their regular advertised brands. Under the law unadvertised brands may be sold 1¢ cheaper than advertised brands.

New Deal on the Atlantic

Transatlantic lines raise fares, adjust the differential between cabin and giant express liners. Demand to "ship British" might bring serious retaliation.

THE New Deal has reached the shipping business. Transatlantic passenger fares are going up. Definite announcement of the exact advances on various liners will be announced Dec. 23, will become effective Jan. 1. Minimum first-class rates are understood to be advanced $8 to $19 above present winter rates. General advance is about 10%.

More than the mere change of rates is important. Transatlantic lines have been squabbling over rates for more than a year. Cunard has objected to the classification of vessels which permits the swanky new cabin liners (Cunard has none) to charge so much lower than the minimum on the giant express liners. All the lines in the conference have at one time or another been disgruntled over the problem of adjusting rates to depreciated currencies.

Premium for Swank

In the present adjustment, it is agreed that the *Bremen* and *Europa*, North German Lloyd's newest and very swank contestants in the North Atlantic trade, will charge a higher minimum rate than the *Berengaria* (Cunard) and *Majestic* (White Star). The *Berengaria*, while it is one of the largest of the express liners and has always been popular, is more than 20 years old. The *Majestic*, largest vessel afloat until the French Line's new *Normandie* and Cunard's giant new No. 534 come into service, is more than 15 years old. The *Ile de France*, while it is comparatively new and often called the aristocrat of the Atlantic, is smaller and less fast than the Lloyd twins, will command a slightly lower price than they, but more than the *Berengaria* and the *Majestic*.

There are just 6 cabin boats which have caused all the stir. The French Line, United States Line, and White Star have 2 each. None is more than 3 years old now. All are in the 20,000- to 30,000-ton class. Most of them are 6-day boats: they cross from New York to channel ports in 1 or 2 days more than the big express boats. There is an air of informal luxury about them. They have been popular from the first with the transatlantic crowd.

It is the contention of the lines which have no cabin vessels—and of some of those that have—that the old "cabin" classification meant something quite different from what these new boats offer. It originally meant slower than 6-day boats, usually smaller than 25,000-ton vessels, and much less in the way of luxury than the *Champlain*, *Georgic*, and *Washington* offer. When they adopted the regular cabin class minimum, especially when the public was purse-pinched as it has been in the last few years, they ran away with the bulk of the traffic. Cabin vessels sailed with 600 and 700 passengers when capacity was slightly more than 1,000; the express liners sailed with 200 and 300 when capacity was 2,000.

With the fare question settled for the time being, more attention is turned to the matter of government subsidies for shipping lines. British ship owners contend that they are at an increasing disadvantage because of the huge subsidies which foreign governments—particularly France, Italy, the United States, and Germany—have granted to their shipping services. Britain has hinted that she will come to the rescue of the British shipping interests. Cunard has been told that government funds will be forthcoming to complete the mystery vessel—giant No. 534—if Cunard and White Star effect a working agreement which will eliminate unprofitable competition and put British ships in a more effective position to compete in the North Atlantic with the nationalized competing lines.

Our Strong Position

Franklin D. Mooney, chairman of the committee on foreign competition of the American steamship lines, made a few remarks recently in answer to the challenges from Britain: "Any move to reserve the business of ocean transport to the country of origin would be to the detriment of England and the wholesale advantage of the United States. We originate more commerce than any other nation. In the passenger-carrying trades we are in an even more fortunate position. Americans constitute 70% of all travelers on the North Atlantic. We pay 85% of all the fares and occupy 95% of all first-class cabins.

"England originates but 13% of the total world trade; English ships carry 38% of all ocean freight. British ships carry 54% of all inter-Empire trade, and more than 95% of the coastwise trade of the British Isles."

Finally, hitting at the accusation that the United States is "dumping tonnage," Mr. Mooney pointed out that this country has built 42 ships with the financial aid provided by the Merchant Marine Act, while England has outbuilt the United States 10 to 1 in the last decade. United States construction is 2% of the world total; British, 40%.

Business Abroad

Less criticism of Roosevelt policies; dollar steady above 64c. Chautemps ministry wins reluctant support in French Chamber; franc rallies. Germany threatens to reduce transfer payments to creditors, is rebuked by London. Europe will oppose Japanese competition.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Acrid criticism of the Roosevelt policies was noticeably less evident in Europe this week. Not only was there less comment in the press and at luncheon tables, but more thought is being devoted to the Roosevelt program. The dollar reflected the improved feeling by maintaining its stand in London and Paris at more than 3¢ above the theoretical value in New York.

The situation in France has eased. The Chautemps ministry has secured the passage in the Chamber of its budget bill, inadequate as it is, and disliked. France evidently became alarmed at the weakness of the franc abroad during the ministerial crisis and decided to support a not-too-satisfactory budget rather than risk another government crisis.

No amount of camouflage in Paris can hide the concern of the well-informed Frenchman and the knowledge among outside financial leaders that France is inevitably to be faced with the problem of some degree of deflation before final all-round currency stabilization at new ratios is established. The present budget accord is only temporary. It does not honestly meet the growing causes of the deficit and it does not solve the problem of French foreign trade.

Dickering between Germans and creditors in Berlin has been sharp. Dr. Schacht told debt representatives that it was probable that Germany would need to reduce the 50% transfer on interest and payments because of the inability of the government to provide foreign exchange. Creditors retorted that Germans were buying vast quantities of their depreciated bonds on foreign markets, that this was literally cheating. The marks, they contend, should go to distressed creditors. So sharp was the criticism of the British, the matter is likely to receive renewed consideration. No doubt Germany is playing the poverty game to the limit for the sake of the bargaining value to Germans in battles soon to be fought as a part of foreign trade negotiations.

A few other developments are worth noting. There is an active movement in Central Europe and in the Balkans to create a new unity of power. Turkey, Greece, Rumania, Yugoslavia, and Bulgaria are immediately concerned. Poland, Czechoslovakia, and Italy are interested. Hungary is watching. The outcome, with the emergence of the "patron" of the group from among the big powers, will be important. It is a contest between Rome and Paris.

The threat of Japan to most of Europe except Russia is the threat of a great low cost producer able to underbid on most foreign markets. Italy and Russia are reported to have discussed ways of preventing inroads of Japanese goods in their own markets. Britain is in the midst of tense trade talks with the Japanese. The Dutch are following them eagerly, ready to take action as soon as other nations indicate policies.

Wide World

PRODUCE OF SCOTLAND—The Anchor Liner *Cameronia*, appropriately, brings in what is said to be the largest shipment of whisky ever to leave Scotland—27,474 cases, 329,688 bottles, with a rough valuation of $1¾ millions.

Germany

Schacht threatens to reduce transfer payments to creditors. More signs of improving business. Many will exhibit at Leipzig in March.

BERLIN (*Cable*)—Germany loomed in the limelight this week. The first all-Nazi parliament convened, took just 7 minutes to recess itself until after the Christmas holidays. Dr. Schacht told creditors Germany might find it necessary to reduce the amount of the payments she was making in foreign exchange on outstanding commercial debts. Marks appreciated in value on the announcement, but German bonds universally dropped in European and American markets.

It is the opinion of German business that Dr. Schacht's statement that the country cannot longer meet as much as 50% of its foreign obligations in transfers is biased by pessimism, and that it has as its objective a better bargaining position for the Reich in various bilateral trade talks already under way or soon to be undertaken. Germans are of the opinion that it is unwise to continue the discriminatory agreements with Holland and Switzerland on the payments to creditors because of the criticism it has raised in Britain and the United States, both huge creditors and good customers. Discussions will continue in Berlin.

A number of reports during the week indicate the gradual recovery in the field of business. Bankruptcies declined in November. Carloadings in the last week in November were 13% above the same period last year. The chemical and radio industries report an increasing number employed. Despite the diversion of

some business to Czechoslovakia because of the boycott, exports of cotton fabric gloves to the United States exceeded $3.5 millions in the first 9 months of this year, in comparison with $2.7 millions in the same period last year. The Bureau of Statistics announces that national income in the third quarter will pass the figure for last year by at least 10%. The German State Railways have just placed a contract for 1,000 3- and 5-ton diesel engine trucks. It is reliably reported that no more gasoline trucks are being made in Germany, except for export, the entire demand in Germany being for diesel trucks. Unemployment declined 32,000 in November.

Preparations for the next Leipzig Fair are being completed this month. More than 7,000 exhibits—an increase of 15% over last year—will be open to the visiting public during the week from Mar. 4 to 11. Twenty-two countries will exhibit this year.

Great Britain

London creditors resent German proposal to cut transfer payments. Plan proposed to consolidate and aid Lancashire cotton industry. General optimism continues.

LONDON (*Cable*)—The British are approaching the Christmas holidays in a spirit of genuine optimism. Christmas trade already shows signs of running up a new record far above the last several years. Foreign trade figures for November show an increase of 14% over October, indicating that other countries are sharing in the recovery of buying power. Shipping is automatically registering gains. Cargo freights in November gained 1.7% over October, which in turn had registered a 1% gain over September.

Dr. Schacht's suggestion that Germany might be forced by a growing adverse foreign trade trend to reduce the amount of transfers on foreign debts which Berlin could meet caused a wave of angry comment in London. Commercial and financial groups immediately set about making plans to force the government to bring pressure on the Germans, all private efforts to force the issue having had no results. It is the contention of the creditors that if Germany would discontinue buying up depreciated German bonds abroad a good portion of the defaulted interest could be paid in foreign currencies. British officials until now have been reluctant to jeopardize relations between the two governments by forcing this issue, but the demands from creditors have become so vehement it is likely that some steps will be taken to aid them.

The cotton trade is again embarking on an attempt to reach a price agreement. All sections of the American yarn spinners, whether coarse, medium, or fine, are to form a committee for the task of maintaining the higher price level agreed upon.

Cotton Price-Fixing

The scheme got under way with 32 mills in the Royton district and is now being adopted in all areas. The man behind this attempt at rationalization is Frank Platt, managing director of the Lancashire Cotton Corp. He has assurances that the banks to whom the various mill owners are indebted will use their influence to see that the agreement is made and honored. Final draft of the scheme was approved by the Bankers' Industrial Development Co., subsidiary of the Bank of England, which was instrumental in forming the Lancashire Cotton Corp. by a similar pressure through the joint stock banks which for 4 or 5 years have "carried" the Lancashire cotton spinners.

The agreement provides that the basis of prices to be quoted by the industry is to be the bare cost of production plus a fixed amount per spindle. For example, a mill of 100,000 mule spindles should, with minimum yarns, earn a gross trading profit of £5,000—the figure being a sum of 1 shilling a spindle over bare cost. A mill of 60,000 ring spindles should cover costs and earn in addition 1s 6d a spindle, giving a gross trading profit of £4,500 annually. After next February, when current contracts expire, no mill in the industry, whether mule or ring, should show any loss on trading, for showing a loss will mean that the agreement has not been faithfully honored.

This plan will not set Lancashire back on its feet. The foreign market difficulty remains. But the agreement will at least end the throat cutting which has hampered general reorganization for so long at home.

France

Foreign pressure on franc swings politicians to support of Chautemps government.

PARIS (*Wireless*)—The better turn in French political events is due more to external than internal developments. It is due to the outside pressure upon the franc which on at least 2 occasions was serious. It was this evidence of foreign concern over the French political outlook that caused the Socialists to decide to abstain from voting against the Chautemps government for fear it would seek a concentration government with groups from the Center and the Right which could for a time, at least, dispense with Socialist support. The present budget measures are admittedly inadequate and disagreeable to all parties, but they are tolerated as a means of restoring outside confidence in the franc.

France has been pleased with certain phases of the Chautemps policy. Refusal for the third time to pay the instalment due the United States on war debts, and a bit of cleverness in dealing with the German appeal for direct negotiations which has placed the problem equally at the door of Britain. Italy, Poland, and the countries of Central Europe has appealed to Frenchmen. Even the improved position of the franc, which has reduced premiums on one- to three-months futures to the point where they are in line with French short-term treasury rates, is attributed to the cleverness of M. Chautemps.

Italy

Export trade suffers from severe Japanese competition but makes headway in Turkish and Russian markets. Barter ships for coal.

MILAN—There are no striking changes in Italian business. Automotive production has decreased slightly recently, but production is being maintained on a 48-hour week. The wool industry is active, and in Florence all factories are working on a 24-hour day. Cotton goods production is also heavy; Naples reports the greatest activity in several years, and full time schedules are maintained in Turin. In Milan, mills are working at 75% of capacity, but operation is unprofitable owing to the running of large plants by receivers at losing prices. Certain export markets, including Egypt, the Balkans, China, and South America, are dull, but large new markets are being developed in Turkey and Russia.

The principal adverse factor in foreign sales is severe Japanese competition. Rayon, though aided by the lowering of production costs through improved technical methods, is particularly hampered by cheap Japanese exports. Silk production is larger than last year but sales, especially in the United States, have been small and many filatures have closed down.

Tannery operations are unchanged, with prospects good for sales in Europe but unpromising for shipments to the United States. Orders are sufficient to keep Naples glove manufacturers busy. Government orders have somewhat improved the shipbuilding industry in Genoa, and work is continued at Leghorn on a government cruiser. The contract to supply 2 new vessels for the transatlantic service of the Polish line was secured by offering to accept in payment Polish coal.

Far East

Japan anticipates blocking of world markets to her exports. Philippines concentrate on gold production. China increases petroleum imports.

WHEN the president of the British Board of Trade made the statement in London that cheap Japanese products were becoming a worry to all of Europe, not just to the British textile industry, Japan became alarmed over the threat to her export trade.

When Mr. Litvinov stopped in Rome for conversations with Mussolini and it was reported that they discussed barriers to Japanese imports for both countries, Japan became doubly anxious. Like Britain, Japan is a great industrial country depending on world markets for its sources of supply and for its sales of finished products. If the world unites in barring Japanese products it will be so serious for Japan that not even the threat of retaliatory tariffs will be enough to save the Japanese manufacturer. Business leaders are worried.

There is a move to control exports. Tokyo has already put foreign sales of electric light bulbs, beer, canned fish, and cement under a control plan. A bill will be introduced in the Diet in the present session proposing rigid control of all exports. The United States is interested in the bargaining possibilities behind this move, for Japan takes the largest volume of America's raw cotton exports and in recent years has been the outstanding buyer of scrap iron. Japan's scrap iron takings in the first 9 months of this year exceeded 389,000 tons, compared with 128,902 tons in the same period last year.

Philippine Gold

The Philippine Islands are profiting from the recent premium on gold in the United States. Prices for shares are booming on the Manila exchange, and turnover is heavy. In 1931, with only 3 mines in operation, the Philippines produced more than $3½ millions of gold. Production last year exceeded $10 millions.

Reports from China are slightly more optimistic this week. At Shanghai, the industrial situation during November showed some improvement, with flour and cotton mills operating nearly to capacity.

It is reported from Canton that the Kwantung government, as a part of its 3-year plan for provincial reconstruction, is considering building a munitions factory to cost more than $4 millions.

China's imports of kerosene for the first 10 months of 1933 totaled 161 million gallons, an increase of 38 millions over the same period last year. Gasoline imports were up 5 million gallons.

Imports of these products for the first 9 months of the last 2 years are broken down by sources:

	1932	1933
Kerosene	(*gal.—000*	*omitted*)
Netherlands India	30,532	46,297
United States	57,849	70,748
U. S. S. R..........	12,661	21,758
Gasoline		
Netherlands India	5,234	10,170
United States	8,769	11,196
U. S. S. R...........	896	1,498

Most striking is the gain which Russia has made. In the battle for the Chinese market, gasoline prices have been cut this year by more than 40%.

Latin America

Nothing yet accomplished at Montevideo. Washington talks of Platt amendment revision. Electric Bond & Share encounters difficulties with Cuban government.

NOTHING concrete has been accomplished at the Montevideo conference of 21 American states this week. There has been a blare of publicity over the Chaco dispute between Paraguay and Bolivia. It has been carefully timed to hide the lack of concrete developments in the second week of the conference.

The really significant development of the week is the announcement that the United States is discussing withdrawal of the Platt Amendment which gives Washington a controlling hand in Cuban affairs. More than any of the other moves which have been made by President Roosevelt to show a desire on the part of the United States to meet the demands for friendship of the Latin American states, this would remove suspicion of the motives of Washington at future conferences.

Whatever fact there may be behind the week's rumors, the American representative in Havana is being changed, and the Grau government seems increasingly well entrenched in the island.

Bond & Share Hit

Greatest immediate effect on United States business is the report that the present Cuban government has decreed that Compañia Cubana de Electricidad, subsidiary of Electric Bond & Share, reduce its rates for electricity by 35%, and the simultaneous 41 demands of the company's Cuban labor for improved working conditions and pay. This branch of Electric Bond & Share is a large enterprise which, according to its latest report, supplied electric power and light to 207 communities with a population of 1½ millions; gas to 1 community; water to 4; ice to 8. Havana, Santiago, Matanzas, and Camaguey are among the important municipalities served.

The Figures of the Week

Business activity continues fairly stable. Chain and mail order houses show best November reports. Manufacturing employment generally is easing off, but steel and motor production is being stepped up.

GOVERNMENTAL priming of the business pump is in full swing this month. The slack appearing in manufacturing industries is being offset by rising payrolls on public projects of every description. The steel industry reflects some of the beneficial influences of such support, and now looks forward to stronger demand from the railroad equipment crowd which, for more than a year, has subsisted on a bread and water diet. Electric power production has recovered from the holiday dip, while carloadings reports now available show the full brunt of holiday interruptions.

November retail trade of department stores, while maintaining a small edge over a year ago, failed to record the usual seasonal expansion. In the Eastern centers, volume did not even come up to that of last November. The Southern and Western Federal Reserve districts fared best, with gains ranging from 2% to 15%. It is among mail order houses and chain stores that one must look for the most encouraging picture of a quickening of consumer demand. Montgomery, Ward's 25% gain over November, 1932, Sears Roebuck's 27% gain, and J. C. Penney's 28% rise head the list. Sentiment among dry goods people for December business continues cheerful. The month will probably clinch the year, putting most of the larger establishments into black ink.

Manufacturing Employment

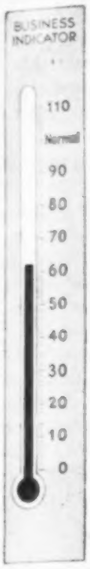
The forecast of manufacturing employment and payroll trends of the month just closed puts an end to the steady improvements shown since the first quarter of 1933. New York, first of the industrial states to report and a fair indicator of the national trend, announces a 3% shrinkage in the number employed compared with October, and a 4% loss in payrolls. Unfortunately this is a greater decline than has occurred in former years, but it still leaves a wide margin of gain over the situation last year. Seasonal losses in clothing, millinery, textile, furs, food, and tobacco affected the total.

Steel production for the current week ending Dec. 16 has been lifted to 31.5% of capacity. Since early November, the trend has turned upward under the combined influence of miscellaneous buyers, rail and motor business. Reasons assigned for the present spurt include the necessity of getting orders out of the mills before the end of the year when code stipulations would compel a cancellation. The urgent requests for delivery are specially strong in those products where price advances have been posted. On other products, the old-fashioned custom of withholding orders to spare the cash and inventory reports for a good year-end impression prevails.

November production of steel ingots declined 27% to slightly more than 1.5 million tons, according to the official report of the American Iron and Steel Institute. This required a producing rate of only 27.3% of capacity. Total output for the first 11 months is 69% above that of the same period of 1932, insuring a creditable record for the year even if not another ton were produced. Prospects, however, point to approximately the same tonnage for December as for last month. And the first quarter of 1934 gains in brightness as it is real-

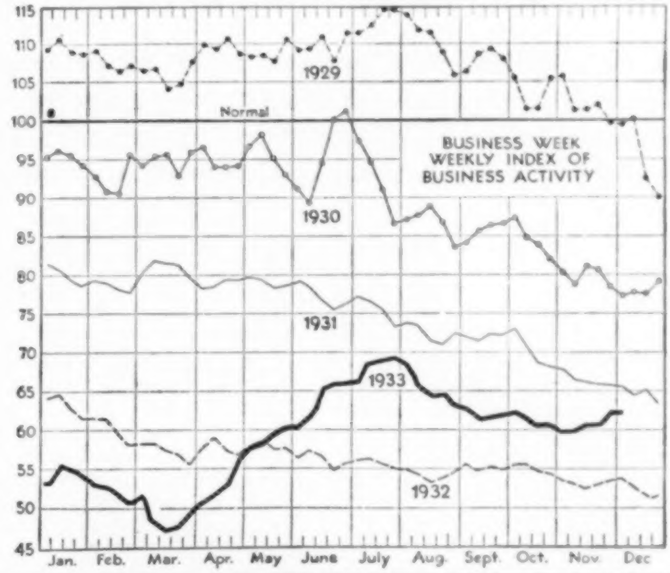
BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	Latest Week	Preceding Week	Year Ago	Five-Year Average (1928-1932)
BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*62.3	†62.3	53.7	....
PRODUCTION				
Steel Ingot Operation (% of capacity)	31.5	28.3	15	44
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks' basis)	$5,997	$5,763	$4,291	$10,618
Bituminous Coal (daily average, 1,000 tons)	*1,237	†1,220	1,125	1,583
Electric Power (millions kw.-hr.)	1,619	1,554	1,519	1,690
TRADE				
Total Carloadings (daily average, 1,000 cars)	94	97	91	132
Miscellaneous and L.C.L. Carloadings (daily average 1,000 cars)	61	62	59	84
Check Payments (outside N. Y. City, millions)	$2,734	$2,747	$2,855	$4,615
Money in Circulation (daily average, millions)	$5,773	$5,731	$5,682	$5,139
PRICES *(Average for the Week)*				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.81	$.80	$.43	$.81
Cotton (middling, New York, lb.)	$.102	†$.102	$.059	$.120
Iron and Steel (STEEL composite, ton)	$32.42	$32.42	$28.91	$32.66
Copper (electrolytic, f.o.b. refinery, lb.)	$.077	$.078	$.048	$.111
All Commodities (Fisher's Index, 1926=100)	71.7	71.4	58.7	79.3
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,628	$2,591	$2,202	$1,718
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$16,600	$16,672	$16,819	......
Commercial Loans, Federal Reserve reporting member banks (millions)	$4,941	$4,999	$5,148	......
Security Loans, Federal Reserve reporting member banks (millions)	$3,556	$3,569	$3,784	......
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$723	$720	$392	$2,396
Stock Prices (average 100 stocks, Herald Tribune)	$99.44	$98.09	$84.68	$131.98
Bond Prices (Dow, Jones, average 40 bonds)	$82.80	$81.14	$77.31	$87.76
Interest Rates—Call Loans (daily average, renewal) N.Y. Stock Exchange	.8%	.8%	1%	3.8%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	1¼-1½%	1¼-1½%	1¼-1¾%	3.8%
Business Failures (Dun and Bradstreet, number)	303	268	588	533

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For any further information, write the editor.



ized that the bulk of rail, motor and public projects will necessarily converge after Jan. 1.

Motor production is running into more delays than anticipated. Dies essential for new models have been seriously slow in reaching the factories. In addition, difficulties have been encountered in mass production of the new devices for "knee-action." But the latter are not insuperable obstacles to a rapid pick-up, once the mechanism is mastered. Greater concern confronts motor executives, according to trade papers, when the code comes up for reconsideration at the end of the year. There are whisperings that labor may assert itself to force additional demands.

Successful Ford Show

Ford's exposition in New York is meeting the same tremendous success which it scored in Detroit. Moreover, he has the added advantage of having his 1934 models on the spot. General Motors and Chrysler are doing their best to hold the market by advertising the merits of their coming presentations. Ford relieved the air of some tension when he posted slightly higher prices for his 1934 line. This year he intends to back up his dealers with an extensive advertising program. Ford's production is rapidly being stepped up to the 2,000-cars-a-day total.

November production, excluding Ford, is estimated at 47,052 compared with 101,082 in October and 32,289 a year ago. The month's drop is drastic, but the year to date is 63% ahead of the first 11 months of 1932. Including Ford, the year's output of motor vehicles in the United States and Canada is expected closely to approach the 2-million mark. Optimists on 1934 now talk of a 4-million-car year, but conservatives are unwilling to bet on more than 3 millions.

Automobile consumers are rapidly wiping up the remaining stocks of cars. November estimates based on the first 14 states reporting point to sales of 100,000 passenger cars and 20,000 trucks. General Motors sold over 35,000 cars to U. S. consumers, and shipped only 3,483 cars to dealers last month.

Expediting rail equipment buying and stimulating the capital goods industry was furthered by loans aggregating $41.8 millions by PWA to 6 roads. Possible purchases reach the impressive total of 12,775 freight cars, 167 passenger cars, and 30 locomotives. Considering that in the whole year of 1932 only 1,739 freight cars were awarded, according to *Steel*, and only 2,144 in the first 11 months of 1933, the current prospects are considerably brightened. Locomotive manufacturers who have not seen an order for their major product in almost 2 years are naturally gratified by impending business of respectable volume.

Power production improved substantially during the week ending Dec. 9, though weather conditions probably were a factor in the rise. The present gain over a year ago is 6.6%.

During October, the latest month for which a breakdown of the electric power figures is available, large commercial users were already curtailing consumption by 6%. Household consumers were compelled by the shortening days to increase their consumption, but even here economy was practiced, for the gain was less than last year.

The daily average carloadings appearing in the table refer to the week ending Dec. 2, and, in spite of making allowance for the interference of Thanksgiving Day, the heavy hand of seasonal influences is apparent. Now that repeal is stimulating a number of related industries in the production and distribution of liquor, the railroads are anticipating additional traffic in the movement of supplies. Passenger traffic gains are reflected in the earnings of the Pullman Co., which for the months of September and October showed improved gross earnings compared with 1932.

November railroad employment on Class I roads fell below the million mark maintained from August through October, and is now at approximately the same level as a year ago. The employment curve closely parallels the trend of traffic which is sharply downward in the last quarter of the year.

Check payments in the 140 centers outside of New York during the holiday week ending Dec. 6 were slightly smaller than the preceding week in spite of the fact they covered the first of the month. The lack of one business day probably offset the customary impetus supplied by the first-of-the-month trade settlements.

The rise in outstanding currency volume reflects the influence of holiday buying activity. The peak of currency circulation in normal years occurs in December, and in the week preceding Christmas the gain often reaches as much as $100 millions. While the extraordinary volume of currency outstanding in March has been substantially reduced with the return of confidence, the present volume is still abnormally high.

Money and the Markets

Talk of stabilization stimulates study of probable domestic and foreign consequences. Government financing scores again. Stocks and bonds gain under impetus of orthodoxy and dividends. Commodity prices record 2% rise.

Money

THOUGH persistent reports of negotiations between the Federal Reserve banks, the Bank of England, and the Bank of France on currency stabilization lack official confirmation and have been categorically denied by Acting-Secretary Morgenthau, it is not amiss for cautious business men now to (1) begin reading the signs that might lead to stabilization and (2) to appraise the probable effects of official dollar devaluation.

For 10 banking days through Dec. 13 the gold price fixed by the RFC remained unchanged at $34.01, and the dollar in terms of the pound sterling held almost stable, fluctuating within narrow limits around $5.08. The widest fluctuation occurred in respect to the franc because of its weak position on international exchanges.

From unofficial sources it is learned that the European nations, especially Great Britain, believe that depreciation of the dollar has gone too far. The British say they would be unwilling to stabilize at present exchange rates because British trade would be placed under great disadvantages. The suggested bargaining figure at which Britain is willing to discuss joint stabilization is around $4.50. This can be achieved either by reducing the gold content of the pound and leaving the dollar at its present value, or by increasing the gold content of the dollar above current content.

An important factor is the position of the franc and other gold currencies. Unless the gold countries are willing to subject themselves to a further violent deflationary process, it will be necessary to revalue the franc and other gold currencies at lower levels. Reports from Italy are that Il Duce is taking the course of deflation. He has ordered a nationwide reduction of wages and prices. It is not clear how he is dealing with the debt structure.

On the whole, however, we may now go on the assumption that the industrial countries of the world are nearer a rapprochement on the subject of stabilization than they have been at any time since the London Economic Conference met last spring. For a forecast of the possible consequences, an excellent discussion on the subject by Professors Steiner and Lasdon, appearing in the *Trust Companies Magazine*, offers interesting guidance. This points out that:

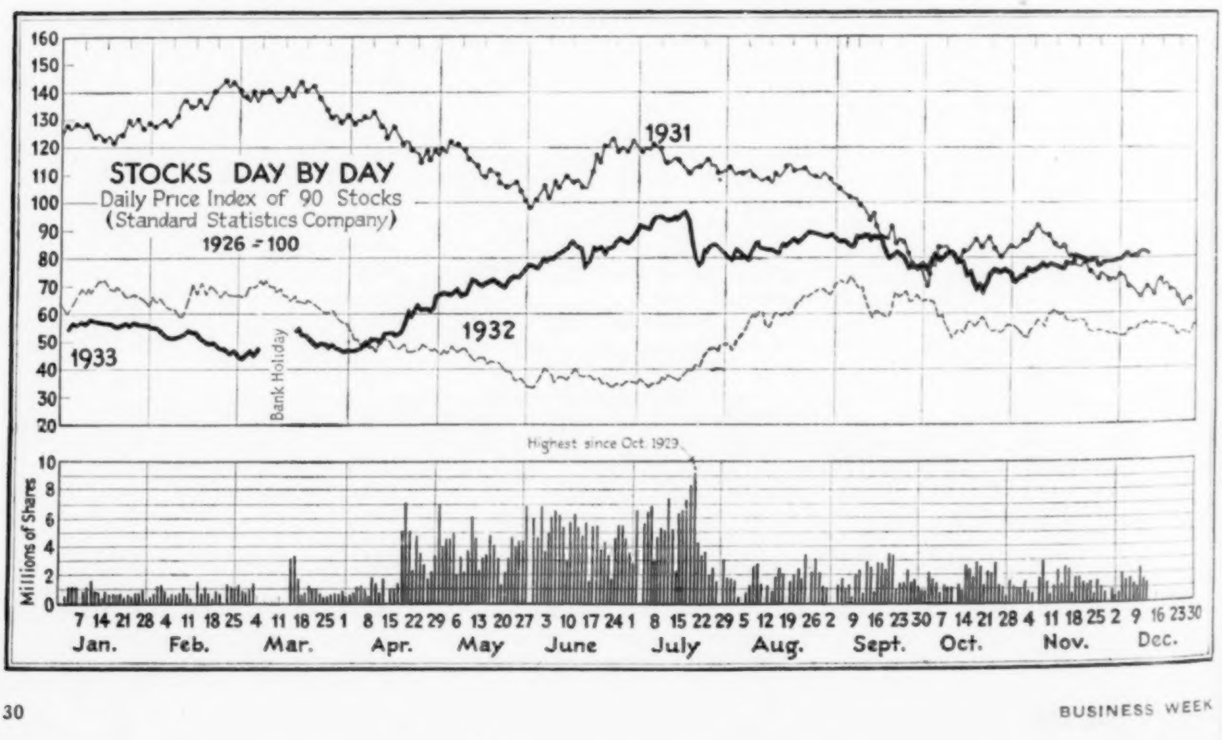
Devaluation would stimulate international trade, hasten a return of normal conditions in the international capital market, and assist in bringing about a worldwide recovery in business. One cannot exaggerate the importance of fixed rates of exchange and what they imply in checking capital's mad flight from one financial center to another.

Revival of the investment markets would also be likely. After devaluation the last uncertainty would be removed and the huge surpluses of liquid funds held by banks, insurance companies, and other investment institutions should again seek outlets.

It is probable that a portion of these funds will again find an outlet in the foreign channels into which they formerly flowed. From a long-range point of view such investment would be necessary to sustain our export trade in the absence of our willingness to receive imports or commodities.

Recall of American balances held abroad would immediately be in order. It has been estimated that balances held abroad total over $750 millions. Unless adequate provisions were made by central banking authorities to handle the concerted rush of funds to this country, the return of these balances might prove embarrassing. Foreign exchange mechanism would be taxed heavily and the dollar might surge upward with such strength as to cause violent unsettlement of our security and commodity markets.

Domestically, the ultimate effect of this inflow of funds would be a stimulation of our securities markets. Capital seeking investment would tend more promptly to send our stock and bond markets higher.



Devaluation would augment the gold reserves of the Federal Reserve System. Gold reserves now total roughly about $3.6 billions. A cut of one-third of the value of the dollar would add $1 billion to the surplus of the Reserve banks. In concluding this summary, it may be noted that Professors Steiner and Lasden point out that it has been the custom abroad, and the same course seems likely to take place here, for the government to confiscate this profit by resort to a special tax. In other words, this addition to surplus would ultimately be transferred to the Treasury.

The government could make use of the surplus in one of two ways—either to finance current expenditures or to retire existing debts. The first course of action would relieve the Treasury of the necessity of floating new issues for relief appropriations, while both procedures would result in unprecedented ease in the money market. It would form the basis for a credit expansion that member banks would find difficult to resist.

Price Rise Foreseen

A rush out of commodities back into currency, once devaluation is assured, might be followed at first by a sharp break in commodity prices. But there is good reason to believe that, after the readjustment had taken place, a slow steady rise in prices would be witnessed. This was the experience of Austria, Belgium, and France, where currencies were stabilized at levels below the intrinsic value of their monetary units and where a considerable rise in prices took place, bringing down the purchasing power of the currency to its fixed gold parity. It is not to be presumed that prices will rise to the full extent of the revaluation, but the advance via devaluation will be helped somewhat by recent increases in the cost of production.

Devaluation would contribute to a lightening of the burden of indebtedness so far as it created a rise in commodity prices.

A quietus was given to those who "view with alarm" the money policy of the Administration when its December financing was announced and carried through in the most orthodox manner. An offering of $950 millions of 1-year Treasury certificates bearing 2¼% interest was oversubscribed to the tune of almost $3 billions. Of the proceeds, $728 millions are to retire maturing certificates. While it is a matter of regret that the government is obliged to continue to overload the short-term money market, Wall Street breathes a sigh of relief that the financing did not take the form of greenbacks.

It must be noted, however, that the government credit, in terms of the money market, has suffered considerable depreciation since October. The 10-12-year Treasury bonds issued in October (*BW—Oct21'33*), sold at 101½ for cash, but are now quoted below par. These bonds were offered in exchange at par for the 4¼ Liberty Bonds that were called and also to any holders of these bonds that were not called. It was hoped that a large number of holders of the uncalled 4¼s would consider the exchange offer advantageous. But, whereas almost $900 millions of the called bonds were exchanged, holders of only $25 millions of uncalled bonds took advantage of the opportunity. In other ways there is evidence that the cost of government financing is going up. The recent sale of $100 millions of Treasury bonds was negotiated on a basis of .06% against .01% for the 90-day Treasury bills a few weeks earlier.

Bonds

In the absence of radical swings of the dollar, the bond market has consolidated its gains. Signs of an impending upturn in business activity, together with returning confidence in government financing, have been responsible for important advances in long-term railroad and utility bonds, both high- and low-grade, and for improvement in industrial issues. Government bonds, on the other hand, were affected by the relatively high coupon of the new issue of 1-year certificates.

The Federal Reserve banks have ceased buying government obligations but are now increasing their portfolios by the purchase of bills. If the Federal Reserve is buying no bonds, neither is the Treasury taking important amounts. Last announcement shows additional purchase of only $8 millions.

An extremely encouraging development was the new financing of the state of Pennsylvania, which sold $25 millions of 10-year bonds at 3¾—only slightly above the cost of United States government financing. The purchasing group announced oversubscriptions within a day after the issue had been announced. It shows the hunger of institutional investors for high-grade bonds.

An attempt is being made by a banking group to stabilize the market for Home Owners' Loan Corp. bonds. It will be recalled that these bonds bear 4% interest, guaranteed by the government, and are issued by the Home Owners' Loan Corp. in exchange for mortgages. But there is no incentive to exchange, say, a $5,000 6% mortgage, for bonds bearing 4% interest when these bonds are selling for less than 85. If the banking group can bring the bonds up to or near par, it will promptly stimulate conversion of mortgages into the securities of the government loan corporation and will have a decidedly stimulating effect on the real estate situation throughout the country.

Stocks

Resumption of dividends by many companies and probable increased earnings because of the return of liquor have given important strength to the stock market. Extensive gains have been made by the motor groups, the steels, chemicals, and rails, but commodity stocks have made less substantial advances. Coppers and public utilities lagged behind while new high records were being established by American Can, Continental Can, duPont, and Johns-Manville. Industrial averages were carried almost to the high point of last August.

Volume increased and prices firmed on dividend news. Chicago, Burlington & Quincy declared $3 a share on its capital stock; Atchison, Topeka & Santa Fe $3 on its 5% non-cumulative preferred; Alabama Great Southern $1.50 on its 6% cumulative preferred, and $2 a share on its common; Associated Oil 50¢ on its common, first since Dec. 31, 1932. General Tire & Rubber Co. resumed quarterly dividends of 1½% on the 6% cumulative preferred stock. Homestake Mining Co. declared an extra dividend of $1 a share in addition to the usual monthly dividend.

Commodities

In spite of heavy realizing sales in agricultural commodities during the middle of the week, prices of all commodities have turned up sharply and, on the whole, stand fully 2% higher than the preceding week. The break in sterling to $5.04 had much to do with sending cotton and wheat down on Wednesday, but inherent support comes to these markets from the improved statistical position. Domestic mills have used more cotton in the season so far than they have at any time since the depression began. December wheat at 85⅞ on Wednesday compares with 84¼, the close a week earlier.

There is a disposition to discount the rumor that stabilization is in the offing and to answer the assertion that gold buying has been stopped, by bluntly asking the question, "Who told you so?"

Metals and textiles are placed slightly higher than in the preceding week, and foods have taken a decided jump. On the other hand, the United States Department of Agriculture reports the index for farm prices as of Nov. 29 at 70 against 72 the preceding week. Prices paid by farmers for commodities purchased remained unchanged, but the purchasing power of farm products declined from 61 to 59. Prices of farm products are 43% higher than the low level of February and purchasing power is 20% higher.

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The Key Log

Two independent analyses appearing this past week have served to point out with new clarity and fresh emphasis a vital, but unsolved, problem of recovery.

The Administration has moved boldly toward the relief of agriculture with a program which, whatever its inherent weaknesses as a long-term policy, has at least the merit of meeting an emergency. It has strengthened the banking structure until it should be adequate to service business when and as business activity expands. It is attempting readjustments in the monetary-price equations. It has succeeded in improving conditions in the industries which supply consumer goods. These things are fundamental; no one of them could be neglected. But there is another fundamental job almost untouched. That is to revive the industries which produce durable goods.

This is where the most important unemployment exists. Col. Leonard P. Ayres estimates there are 10 millions of unemployed. About half this number were once employed in producing goods. The other 5 millions once worked in the service occupations—in trade, in transportation, communications.

Colonel Ayres makes the somewhat startling assertion that unemployment in the industries which produce perishable goods—food, clothing, gasoline, tobacco, soap, tires—is not over 500,000 persons. Yet it is almost entirely to the stimulation of the consumer goods industries that the prodigious efforts of the NRA have been directed. The idea was to increase the purchasing power of the people who buy these daily necessities, but are relatively unimportant purchasers of durable goods.

Now the peculiarity of the situation is that it is not necessary to attack the unemployment problem as a matter of getting 9½ millions of persons back to work. It is necessary only to concentrate upon the 4½ millions the durable goods industries have turned off. If the men who make buildings, machinery, bridges, ships, locomotives, rails, and so on can be put to work and kept at work, the other 5 millions will quickly be absorbed in the service functions. This is easy enough to understand; if building be revived, for example, a long list of service activities are stimulated, assorted jobs are quickly created for railroad men, for clerks, for salesmen, for telephone operators.

This is the key log, says Colonel Ayres. Until it is loosened from the jam, we cannot have a complete or lasting recovery.

So far, little has been done about this. The public works program goes direct to the heart of the matter, but touches it with a feather, not a sword. On public works, we plan to spend $3.3 billions over a course of years. In good times, construction in the United States amounted to $10 billions a year.

The vast potential employment latent in the durable goods industries is strikingly shown by a study initiated by Dr. Alexander Sachs, chief economist of NRA. It puts the total of construction that should be done in the United States in 1934 and 1935 at $14 billions. That is four times our present public works program.

Obviously, this is the greatest opportunity for accelerating recovery. The difficulty, of course, is finance. Either investors must be convinced, through a sustained improvement in conditions, that it will be prudent to replace buildings and profitable to modernize mills and factories, or the government must use its own credit to supply the funds, just as it is substituting its own credit for that of states and municipalities in the public works program.

Beginnings have been made here and there—as loans to railroads for equipment and loans for housing. But these are only beginnings. Bold attack at the center cannot much longer be delayed.

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